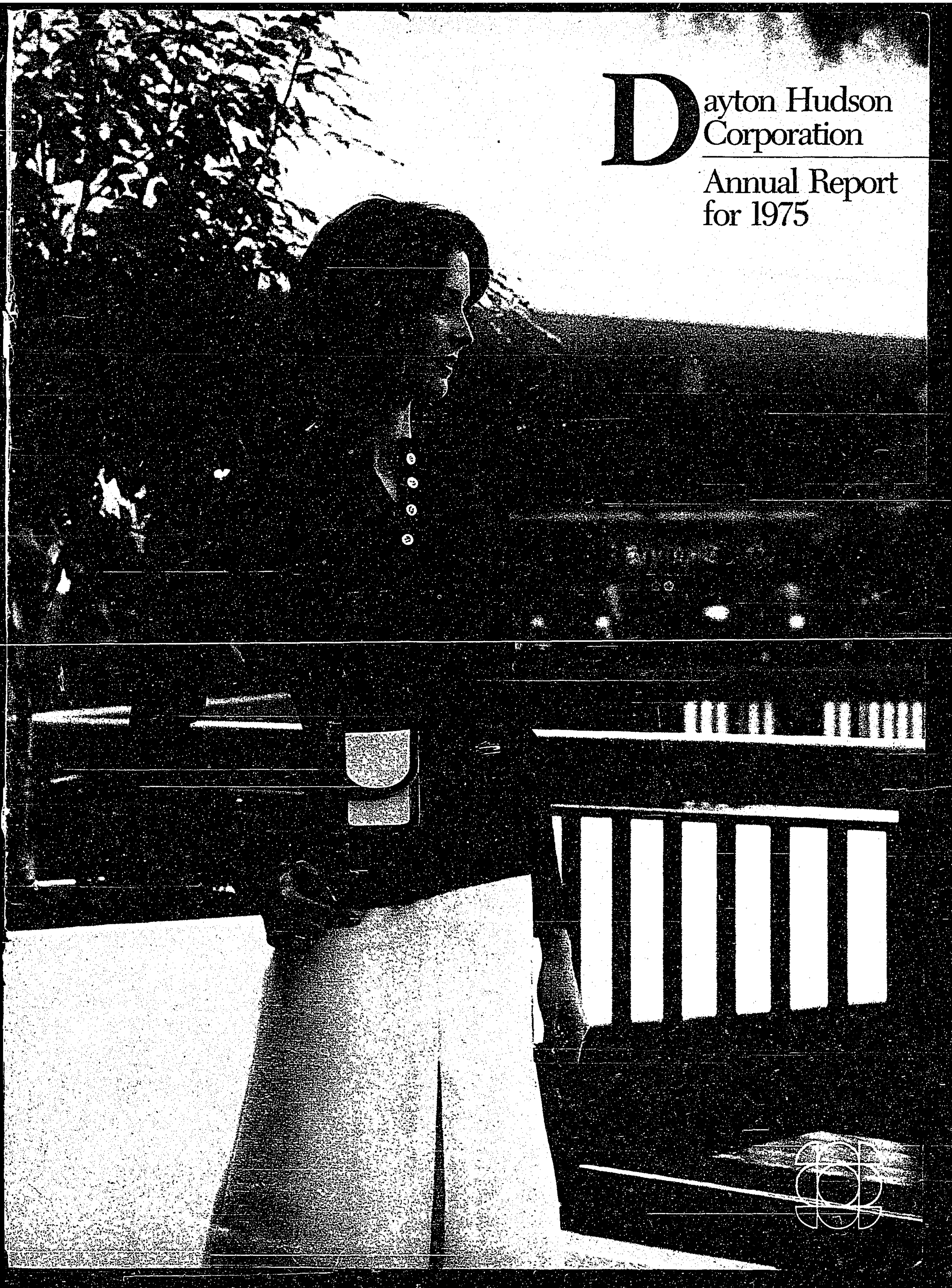
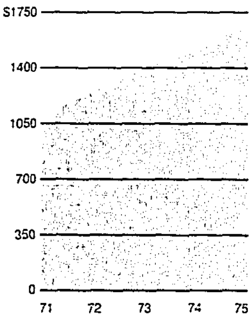
Dayton Hudson Corporation

Annual Report for 1975

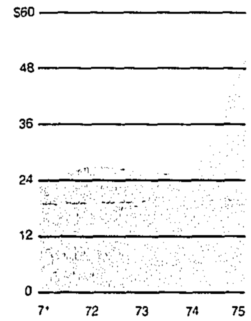


Consolidated

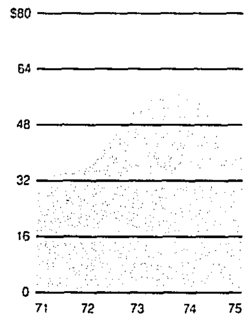
REVENUES



NET EARNINGS



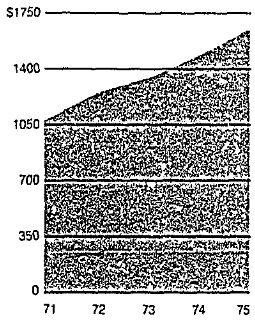
CAPITAL EXPENDITURES



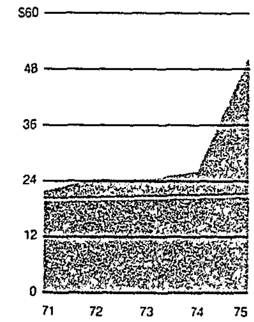
All figures in millions

Retail

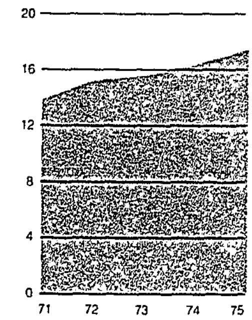
REVENUES



NET EARNINGS

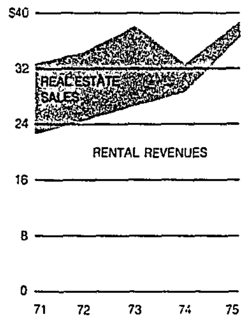


TOTAL SQUARE FEET

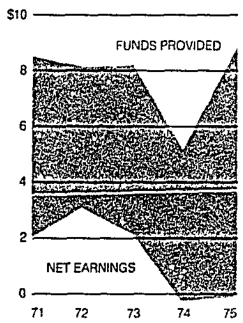


Real Estate

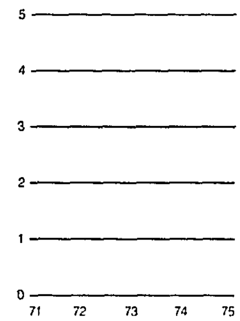
REVENUES



NET EARNINGS AND FUNDS PROVIDED BY OPERATIONS



TENANT LEASABLE SQ. FT.



Contents

Dayton Hudson Corporation

Dayton Hudson Corporation is a diversified retail company operating in 38 states through department stores, low-margin stores and specialty stores. Through its real estate business, it also owns, develops and manages regional shopping centers, commercial properties and office buildings.

Annual Meeting

The Annual Meeting of Shareholders will be held at 10 a.m. Wednesday, May 19, 1976, in the IDS Theatre, on the concourse level of the IDS Center, 80 South Eighth Street, Minneapolis, Minnesota

Corporate Offices

777 Nicollet Mall
Minneapolis, Minnesota 55402
Telephone: (612) 370-6948

Cover: Designer fashion from Dayton's Oval Room, photographed at Ridgedale

	1974 52 Weeks Ended February 1, 1975
Consolidated	
Revenues	$ 1,504.5
Net Earnings	$ 25.2
Net Earnings Per Share	$ 1.57
Cash Dividends Per Share	$ .58½
Number of Shareholders	*13,055*
Retail	
Revenues	$ 1,472.2
Net Earnings	$ 25.5
Net Earnings Per Share	$ 1.59
Number of Stores	*318*
Retail Square Footage (000)	*16,570*
Real Estate	
Net Earnings (Loss)	$ (.4)
Net Earnings (Loss) Per Share	$ (.02)
Funds Provided by Operations	$ 5.2
Tenant Leasable Square Feet (000)	*4,119*

All dollars in millions, except per-share amounts.

To Our Shareholders:

K. N. Dayton William A. Andres

By any measure, 1975 was the best year in our history—a clear demonstration that our investment in physical and organizational development is now coming down to the bottom line. Revenues, earnings and dividends reached record levels.

Consolidated revenues totaled $1,692,528,000, up 12.5%. Earnings per share were $3.22, compared with $1.57 in 1974.

It was a year that began in economic uncertainty and ended with a fourth-quarter resurgence of consumer spending. Throughout the year, our sales ran somewhat ahead of expectations, and profits came in sharply ahead of the previous year. That was true even in the relatively weak first quarter, when earnings rose 38% on a revenue increase of less than 4%. Our performance outpaced the recovering economy for the remainder of the year, culminating with an 83.7% earnings increase accompanying an 18% revenue increase in the important final quarter.

As we reported a year ago, one of our basic performance goals is to earn a 14% return on shareholders' equity. We said then that we believed this to be a realistic long-range target. Now we are delighted to report that we actually exceeded it in 1975 with a 14.4% return. We continue to view consistent achievement of this standard as a long-range challenge, but we believe our 1975 results offer compelling evidence of our ability to perform at this level.

All segments of our Retail operations contributed to our performance gains. Retail revenues totaled $1,654,202,000 in 1975, up 12.4% from a year earlier. Retail earnings per share were $3.23, up from $1.59 in 1974.

Target led the way. It improved significantly on its outstanding 1974 performance to become the Corporation's leading generator of revenues and second leading profit producer. Target's earnings contribution rose by 98.7% in 1975, after a 57.4% increase in 1974. Its revenues were up 20.4% on top of the 15.8% increase in 1974. More significantly, revenues of mature Target stores *alone* increased by 17.7% in 1975. Lechmere, the other component of our low-margin group, bounced back from a weak year in 1974 and also posted a strong profit improvement.

Hudson's got out in front of the lagging Detroit economy early, stepped up its performance in each quarter and finished the year with its best sales and profits ever. Hudson's earnings contribution climbed 55.9% on a 7% increase in revenues, and it remained our No. 1 total profit producer. Dayton's generated a 35.8% increase in earnings contribution—a much sharper increase than in the preceding year—and again led the Corporation in earnings as a percentage of sales. Each of our Western Department Stores also made an important contribution to the record profit performance of the department store group.

B. Dalton, Bookseller, is the major profit-producer of the specialty store group, but both Dayton Hudson Jewelers and Team helped the group more than triple its earnings contribution on a revenue increase of 20.1% in 1975.

In all, we opened 585,000 square feet of new Retail space during the year, increasing our total to more than 17 million square feet. We added two department stores, two low-margin stores and 42 specialty stores.

Our Real Estate operations produced a small over-all loss in 1975, but showed significant improvement in earnings from operating properties and in other important performance measures. The loss was 1 cent per share, compared with a 2-cent loss in 1974. Funds provided by operations (earnings before deductions for depreciation and other non-cash charges) totaled $8,659,000, up 65% from a year earlier.

Dayton Hudson has consistently followed conservative financial policies designed to keep the company in a strong financial position at all times. Faced with the uncertain economic outlook at the beginning of 1975, we took a number of steps to improve our financial flexibility. We reduced capital expenditures in order to confine the financing of our retail expansion to internally generated funds. Operating companies tightened their management of working capital. As a result, we ended 1975 in the strongest financial condition in recent years.

For the Retail side of our business, balance-sheet debt was down to 25% of total capitalization at the end of 1975, compared with 30% a year earlier.

Our corporate-wide emphasis on asset management helped produce a significant swing in short-term borrowing. The resulting reduction in interest expense accounted for 17 cents per share of our Retail earnings improvement for the year.

Our investment in retail expansion, including both capital expenditures and additional lease obligations, totaled $38.9 million in 1975. That compares with $50.6 million in 1974. In 1976, we plan to increase retail capital investment to about $73 million, consisting of $60 million in capital expenditures and $13 million in additional lease obligations. Scheduled openings include four department stores, at least three low-margin stores and about 40 specialty stores, increasing our retail space by more than 1 million square feet.

Our Board of Directors has been strengthened by the addition of two new members in recent months: Shirley Young, Executive Vice President of Grey Advertising, Inc., was elected in December 1975. Howard H. Kehrl, Executive Vice President of General Motors Corporation, was elected in February 1976.

At this point, we expect to operate throughout 1976 in a favorable climate for growth—both physical and financial. The momentum of our strong fourth quarter has carried over into the new fiscal year. Our customers clearly are in a better position to buy than they were a year ago. The inflation rate has moderated somewhat, and we are determined to do all we can to hold down prices on the merchandise we sell.

Over the years, the easy way for a retailer to increase profit margins has been to increase the price of merchandise. Today's value-conscious consumer has called a halt to that. The challenge now is to increase profit *without* appreciably increasing the cost to the consumer. Our greatest performance strides in 1975 were made in the control of expenses. Expense reductions contributed as much to our profit improvement as did margin increases. By paring expense levels, improving control of markdowns and shortages and strengthening merchandise mix, each of Dayton Hudson's Retail companies was able to give consumers a better value. We intend to do it again in 1976, and in future years. The heightened consumer interest in value was stimulated by the uncertainty of recession. But our feeling is that it's an attitude that will not quickly fade. There is an increasing awareness that the world's resources are not limitless. The consumer is insisting on merchandise that lasts longer, looks better, does more—merchandise that can be a part of her life for a much longer time.

We believe that the flexibility of our merchandising approach and the strength of our financial base have placed us in an optimum position to serve a wiser consumer in an improving economy during the current year.

K N Dayton
Chairman

William A. Andres

William A Andres
President

April 9, 1976

A Flexible Strategy For Profit Growth

Revenues from Retail operations totaled $1,654,202,000, up 12.4% from $1,472,181,000 in 1974. Retail net earnings were $51,417,000, compared with $25,545,000. Retail earnings per share were $3.23, up from $1.59.

We increased the number of stores we operate from 318 to 364 during 1975. Retail space grew from 16,570,000 to 17,155,000 square feet.

Our Retail business embraces three separate strategies—department stores, low-margin stores and specialty stores. Through these three distinct approaches to the consumer, we have sought to create a combination of retail companies that has the strength of scale without its inhibitions, the flexibility of independence without its limitations. We believe the primary advantage of our diversified approach lies in the ability of each of our companies to attune its merchandising to the particular environment in which it operates—to shape its business to fit the contours of its market with sensitivity and precision. It was this flexibility that gave our companies their competitive edge in 1975:

- flexibility that permitted each company to reduce expense levels in a way appropriate to its particular business and market.
- flexibility that permitted each to merchandise creatively to the shifting mood and needs of its customers.

Our system of decentralized operating management supports the individuality of each company within a framework of performance and ethical standards set by the Corporation. At the same time, our total Retail thrust is unified by a shared merchandising philosophy that emphasizes dominant merchandise selections, quality and fashion.

We view our 1975 performance as the culmination of the second phase of our development as a national company, and the beginning of a third.

The first phase: Assembling the ingredients for growth by joining forces with 13 compatible regional companies during the 1967-71 period, and launching an aggressive program of physical expansion.

The second phase: Assimilating our growth, blending internally developed strategies with acquired companies, perfecting our management system and implementing our merchandising philosophy.

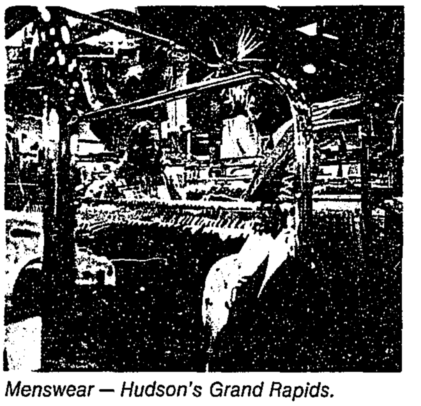
The third phase: Asserting the strength we have developed—translating superior physical growth into superior performance growth. At the same time, we will be stepping up our expansion once again. During the next five years, we plan to invest more than twice as much in the growth of our Retail business as we did in the past five years.

About 40% of this investment will be in department stores, 35% in low-margin stores and 25% in specialty stores. It will increase our total selling space by about 30%.

Our priorities are as follows:

- First, to continue to perfect our operations.
- Second, to expand our existing businesses *within* their current markets.
- Third, to expand our existing businesses *beyond* these markets.
- Fourth, to examine the possibilities of acquisitions and new ventures.

Department Stores



Menswear — Hudson's Grand Rapids.

Fashion Leadership, Dominant Selections

Revenues of the department stores group increased 7.9% to $888,726,000; earnings contribution* was $82,197,000, an increase of 59.6% from 1974.

The group is made up of five operating companies: Hudson's in Michigan and Ohio; Dayton's in Minnesota and North Dakota; Diamond's in Arizona and Nevada; Lipmans in Oregon, and John A. Brown in Oklahoma. Their emphasis is on fashion leadership, quality merchandise, broad selections and customer service.

They were operating a total of 39 stores at year end, most located in strong regional shopping centers. The total will rise to 43 in 1976.

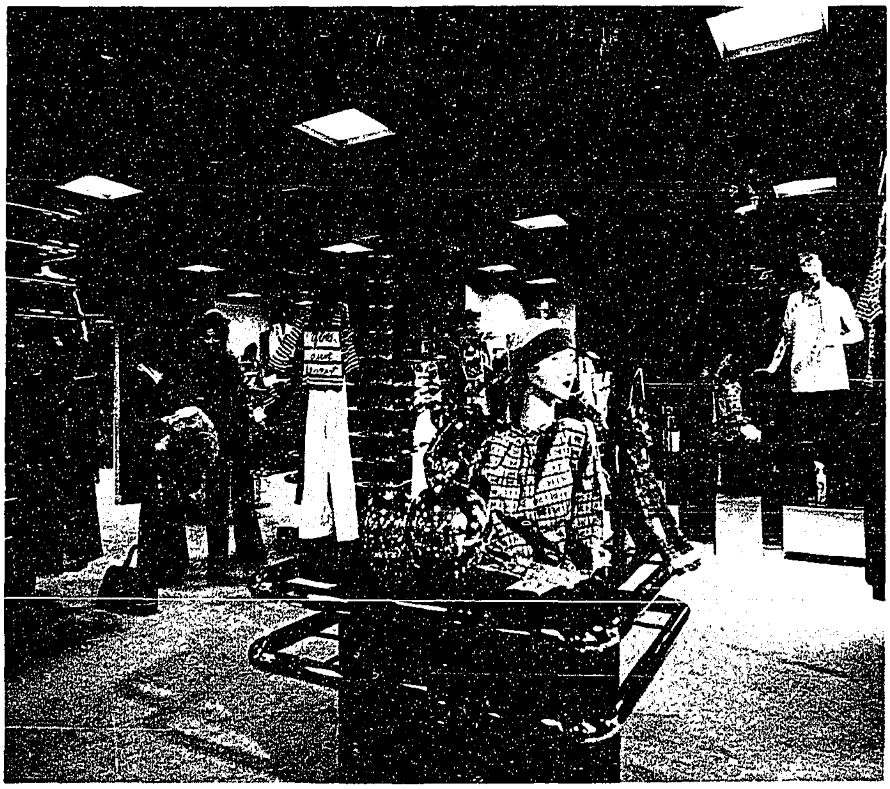
*Earnings before corporate expense, interest and income tax.

Hudson's

Revenues	1975	1974
	$496,138,000	$463,610,000

Despite Detroit's special economic difficulties, Hudson's came through with record sales and earnings performances in 1975. Revenues climbed 7% for the year, helped along by a 18.7% sales increase in the vital Christmas selling period.

Dayton's Rive Gauche: Fashions for women.



Mark of the Lion — New Dayton's shop

These results continued the marked over-all performance improvement achieved by Hudson's over the past four years. Management attributes these gains to five key factors:

- A merchandising emphasis that concentrates on fashion-oriented areas throughout the business, highlighting best-selling trends. The focus is on merchandise categories most wanted by the customer and those that promise the best return on investment for Hudson's.
- A more exciting merchandise presentation, coupled with a heightened emphasis on customer service.
- Use of operations analysis and other multi-store disciplines to reduce the expense rate.
- Improved asset management, ranging from more effective use of working capital, to better inventory control, to more efficient use of warehouse space.
- Highly successful introduction of Hudson's stores outside the Detroit area in each of the past two years.

The Hudson's Ann Arbor store completed its first full year of operation in 1975, attracting retailers from all over the world to observe its new interior-design and merchandise-presentation concepts. In mid-1975, Hudson's added a 122,000-square-foot store in Grand Rapids—its first in Western Michigan. It, too, is a physically exciting store, with a strong fashion emphasis. Its 1975 sales far exceeded projections. In 1976, Hudson's will open a similar store in Saginaw, Michigan, and a 240,000-square-foot full-line store in Dearborn, west of Detroit.

Hudson's aggressive branch-store expansion has further reduced the importance of the downtown Detroit store, which accounted for only about 14% of Hudson's sales in 1975. Despite its declining strategic impact, however, the downtown store has continued to produce a modest profit.

Dayton's

Revenues	1975	1974
	$256,578,000	$236,403,000

Dayton's 8.5% increase in revenues follows an 8.7% increase in 1974. The company's steady performance reflects the stability of its market's strong agri-business base and the concentration of corporate headquarters in the Twin Cities.

As the largest retailer in its market area, Dayton's continues to provide an in-strength merchandise offering that is competitive with an extremely broad range of other retailers, from discount stores on up. Dayton's competitive strength is most apparent, however, in its appeal to the more affluent and more sophisticated, fashion-conscious consumers. The company is strongly identified with a level of merchandise that is a cut above *any* of its competition, both in price and quality.

Dayton's has been focusing its merchandising thrust on two key developments apparent in its market area:

- A resurgence in the strength of better lines, a trend that appears to reflect the consumer's recognition of the value represented in higher priced items because of durability, beauty or uniqueness.

Sportswear at Hudson's Grand Rapids.

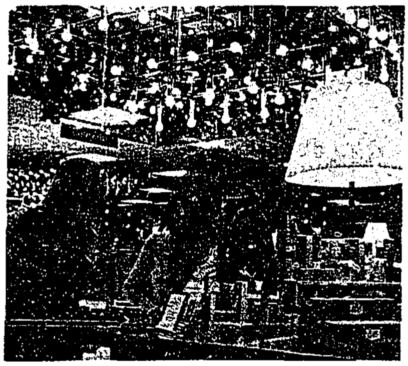
■ Further segmentation of the market as consumers continue to express individuality through selection of fashion merchandise. Using trend merchandising to identify these new and rapidly developing customer preferences, Dayton's has developed more than two dozen completely new departments in the past two years. Three of the most distinctive opened in September 1975: Rive Gauche, devoted to the collections of Yves Saint Laurent; Mark of the Lion, featuring Anne Klein clothing and accessories for men; L'homme, men's contemporary shop offering European-style clothing—and atmosphere to match.

Dayton's sees its major growth opportunities in remote stores such as those it is now operating in Rochester, Minnesota, and Fargo, North Dakota, and a 100,000-square-foot store it is scheduled to open in St. Cloud, Minnesota, in August 1976.

The outstanding performance of the Fargo store in its first 2½ years has demonstrated the company's capacity to expand profitably into communities far from the center of its market area.

Western Stores

Diamond's, Lipmans and John A. Brown operate a total of 18 fashion department stores, all in markets with excellent growth potential. All three companies have now established decisive strategic directions, building on long-established regional identities; all have been strengthened by new multi-store disciplines and professional management techniques.



Cosmetics at Dayton's Fargo.

Fashion Apparel at Hudson's Eastland.

Linens department — Dayton's Fargo.

Diamond's

Revenues	1975	1974
	$ 68,550,000	$ 62,126,000

Diamond's 10.3% revenue increase and sharp profit improvement in 1975 reflect over-all productivity gains by its mature stores, plus the additional revenues generated by the Tucson and Scottsdale stores, both of which completed their first full year of operation.

Diamond's merchandising focuses on medium to better quality apparel and accessories for the family, and a specialized decorative home and smallwares mix. The company has grown from two stores to seven stores since becoming a part of the Corporation in 1968.

Lipmans

Revenues	1975	1974
	$ 39,641,000	$ 34,885,000

Lipmans' 13.6% increase in revenues during 1975 was accompanied by a much sharper profit increase.

The company opened its seventh store in mid-1975, a 50,000-square-foot unit in Eugene, Oregon, some 115 miles south of its home community of Portland. Lipmans describes the new store as its most successful effort to date to project its high-margin core business—moderate to better men's and women's apparel and accessories. Lipmans defines the target of its merchandising as a family unit or individual with above average discretionary income.

John A. Brown

Revenues	1975	1974
	$27,819,000	$26,255,000

John A. Brown achieved its 6% increase in revenues with 36% less retail space in 1975 than it had through the first half of 1974. In August 1974, the company replaced two older Oklahoma City stores with a 150,000-square-foot store in the new Crossroads Mall as part of a program to update and re-position its business in this market.

Today it offers a fashion-oriented, intensely merchandised group of stores, appealing to consumers with above-average disposable income through medium to better price lines. With the inefficiencies of the older stores eliminated, John A. Brown contributed importantly to the profit growth of the Western Department Stores group.

The company is scheduled to open a 125,000-square-foot store in Tulsa, Oklahoma, in August 1976—its second in that market and its fifth over-all.

Increased Productivity, Higher Profits

Revenues of the low-margin stores group increased 17.5% to $616,170,000 in 1975. Earnings contribution climbed to $38,626,000, an increase of 124.4%.

The group comprises two distinct strategies—Target and Lechmere—each operating high-volume, low-expense stores featuring dominant selections of national-brand merchandise.

Target views itself as a "mass merchant department store"—mass merchant in its volume-offering of basic merchandise; department store in its concentration on quality name-brand merchandise. At year end, it was operating 48 stores in nine midwestern and southwestern states.

Lechmere is a Boston-based hardlines retailer with a long-standing reputation as the market leader in competitive pricing of big-ticket items. It operates four stores in Massachusetts.

Scenes from Target's newest Milwaukee store: Dominant selections, name-brand merchandise.

Target

Revenues	1975	1974
	$511,937,000	$425 322 000

Target's 20.4% revenue increase in 1975 made it the Corporation's No. 1 revenue producer. The performance gave Target a 39.4% increase in revenues over the past two years—a remarkable productivity gain on the part of Target's mature stores, since only two additional stores were opened during that period. Even more striking was Target's growth in earnings contribution—up 98.7% in 1975, following a 57.4% increase in 1974.

The two openings were both in 1975—Target's third store in Milwaukee, Wisconsin, and its sixth in St. Louis, Missouri.

Target's management believes the rapid sales growth reflects the com-

Target's checkout system: Organized for high volume.

pany's success in effectively differentiating itself from other general retailers:

- In establishing itself as a shopping alternative to the leading mass merchandisers *and* traditional department stores in many fashion classifications.
- In a strong commitment to product quality, backed up by laboratory testing.
- In consistently being in stock on most-wanted merchandise.
- In the look of its stores.
- In the look of its advertising.

Although the sales gains of the past two years have been achieved primarily within existing stores, Target plans to supplement this growth through carefully planned expansion.

Current plans call for nine openings during the next two years, beginning with at least three in 1976 —Target's tenth store in the Twin Cities, its fifth in the Denver, Colorado, area, and its fifth in Houston, Texas. Each will have 100,000 square feet of retail space.

Lechmere

Revenues	1975	1974
	$104,233,000	$99,277,000

Lechmere's modest 5% increase in revenues reflected the continuing softness of the Boston area hardgoods market. However, the company's strengthened marketing management was evident in improved profit margins and record earnings contribution.

Major elements in Lechmere's performance were:

- Improved use of space to give key merchandise groups appropriate emphasis, with an accompanying reduction in support space.
- Improved point-of-sale display.
- More visible advertising and sales promotion campaigns.
- Improved inventory control.
- Improved gross margin through important reductions in freight costs and further strengthening of its merchandise mix.

Lechmere's business is built around core departments designed to offer the widest merchandise selections in the market. These include television, major appliances, audio equipment and photography equipment—an in-depth assortment of the most-wanted models and brands.

The company created new departments or expanded existing ones to weave several promising new product categories into its merchandise mix in 1975. For example, it expanded its radio business to include more complex electronic equipment such as scanners, telephone-answering equipment and citizen-band radio. It developed an automotive-sound department and enlarged its cookware department to take advantage of popular new products in these areas.

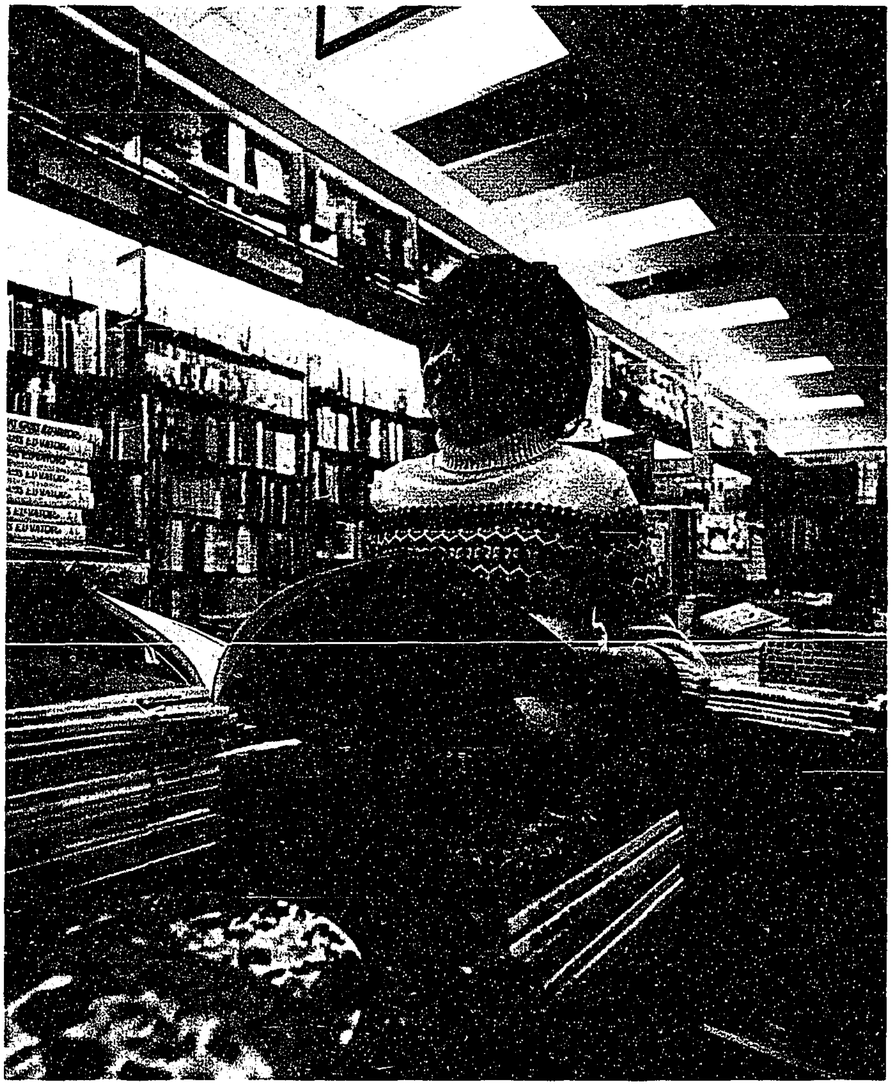
Target home furnishings.

Specialty Stores

Revenues increased 20.1% to $149,-306,000 in 1975; earnings contribution was $9,789,000, more than three times what it was in 1974.

The specialty group is made up of three multi-store companies: B. Dalton, Bookseller (Pickwick Bookshops in Southern California), the second largest bookstore chain in the United States; Dayton Hudson Jewelers, a group of six regional fine-jewelry retailers; and Team, a chain of owned and franchised consumer-electronics stores.

For the Special Shopper

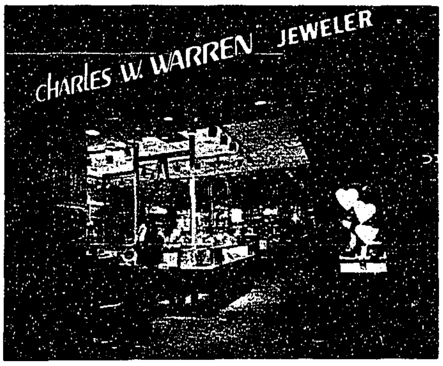


Young shopper at B. Dalton in Detroit's Eastland Center.

B. Dalton, Bookseller

Revenues	1975	1974
	$84,072,000	$62,975,000

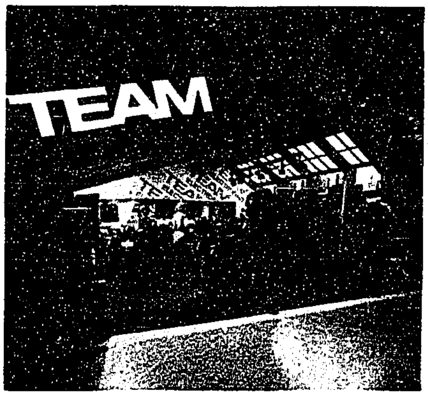
B. Dalton's 33.5% revenue increase reflects both the increased productivity of existing stores and the influx of sales



New Charles W. Warren store prototype.

from 41 new stores opened during the year. The company also achieved its best earnings contribution ever.

One of the most gratifying aspects of this strategy has been its ability to increase its profitability while carrying on an extremely aggressive expansion program. In the 1971-75 period, B. Dalton grew from 41 stores in 12 states to 209 stores in 37



New Team prototype.

states. Its growth in earnings contribution has been at an even faster rate, and it has ranked fourth among the Corporation's profit producers for the past two years.

The combination of its "nothing-but-books" look and its unique computerized inventory system has made B. Dalton No. 1 in hardcover sales among the nation's bookstore companies.

B. Dalton sees major opportunities for continued rapid expansion. It plans to open approximately 40 stores in 1976.

Dayton Hudson Jewelers

Revenues	1975	1974
	$31,361,000	$30,405,000

Revenues were up 3.1% in an economic environment that was less than ideal for fine-jewelry retailing. Productivity gains achieved through centralized purchasing and accounting practices and other improvements in operating procedures had a positive effect on earnings contribution.

In 1975, Dayton Hudson Jewelers focused on broadening the appeal of its merchandise offering without disturbing the distinctive local images of its six fine-jewelry companies. They are J. E. Caldwell (Philadelphia), J. B. Hudson (Minneapolis), J. Jessop & Sons (San Diego), C. D. Peacock (Chicago), Shreve's (San Francisco), and Charles W. Warren (Detroit). Each has broadened those segments of its offering that appeal to younger customers, and each is capitalizing on the growing popularity of decorative jewelry for men.

Dayton Hudson Jewelers has developed a new store prototype that makes more efficient use of space in its shopping-center locations without compromising the store aesthetics essential to successful jewelry retailing.

It opened four stores while closing one in 1975 and plans two openings in 1976.

Team

Revenues	1975	1974
	$33,873,000	$30,923,000

As its 9.5% revenue increase indicates, Team made substantial progress in its transition from wholesale-oriented to retail-oriented operations in 1975.

Team is a chain of 24 company-owned and 81 franchised stores selling name-brand audio products on a broad regional scale. Its emphasis is on high-quality merchandise coupled with a high degree of service and follow-through in dealing with the consumer. Many of Team's stores are in secondary markets where they are the only quality audio stores available.

Team has taken several significant strides to improve its business position in recent months:

- It has reworked its franchise agreements from the base of simple wholesale profits to a royalty arrangement.
- It expanded its customer base through a program to "de-mystify" audio purchasing for the average consumer.
- It developed a new store prototype that is proving that store design can make a significant contribution to productivity.

No new company-owned stores are scheduled for 1976. However, Team's plans call for continued expansion through its primary business: launching, guiding and serving franchised stores.

Real Estate

Building Foundations For Growth

The principal business of Dayton Hudson Properties, our Real Estate company, is the development and operation of regional shopping centers. This is a relatively new segment of the real estate industry, one that we helped launch: Our Northland Center in Detroit was the largest center in the world when it opened in 1954. In 1956 we opened the nation's first large enclosed shopping mall—Southdale in suburban Minneapolis.

Today we own nine of these regional centers, ranging in size from a half-million to 1.6 million square feet of gross leasable area. In addition, the first of a series of centers we are developing on a joint-venture basis opened early in 1976. A second will open later this year and a third in 1977. At the same time, we are preparing for construction of three additional wholly owned centers.

In contrast to our Retail operations, our Real Estate business does not normally produce significant net earnings. Instead, its emphasis is on cash flow, which we define in this report as "funds provided by operations," or earnings *before* deductions for depreciation and other non-cash charges. Dayton Hudson Properties (DHP) is managed to produce an expanding flow of rental income from retail tenants.

While the performance objectives of our Real Estate and Retail businesses are quite different, these two strategies have demonstrated that they make highly effective partners when teamed up to carry out the expansion of a growth-oriented corporation.

Ridgedale· Newest of nine wholly owned centers.

Dayton Hudson Properties

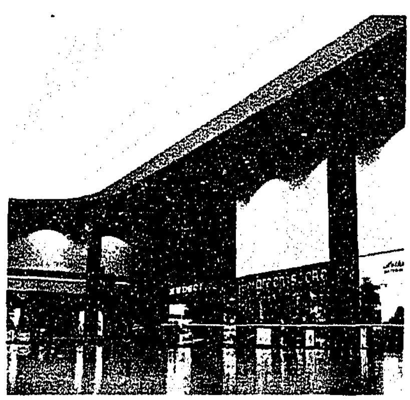
Rental revenues from tenants totaled $36,278,000 in 1975, up 28.8% from 1974. Operating income (income from operating properties before depreciation, interest and income taxes) totaled $20,159,000, a 40.7% increase. This was offset by losses on joint ventures, increased depreciation and a decline in landholding income, resulting in a loss of $100,000 for the year, compared with a loss of $362,000 in 1974. Funds provided by operations totaled $8,659,000, an increase of 65% from 1974.

One of Dayton Hudson Properties' priorities is the continuous updating of its centers. In 1975, it completed the enlargement, enclosure and remodeling of both Northland and Eastland, its two oldest Detroit centers. Result: Sales in both centers showed a sharp upturn. Now major expansion projects are under way at Southland and Westland Centers in Detroit.

The first of three announced joint-venture centers – Lakeside Center in Sterling Heights, Michigan – was opened in March 1976. DHP teamed with Homart Development Co. and the Taubman Company in the construction of this 1.3-million-square-foot center. DHP is also teamed with Homart and Taubman in development of Twelve Oaks Mall, a 1-million-square-foot center at Novi, Michigan, scheduled for completion in 1977.

DHP's first regional center outside of Michigan and Minnesota is scheduled to open in August 1976. It is Woodland Hills Mall in Tulsa, Oklahoma, a 700,000-square-foot center being developed jointly with Homart.

DHP plans to build three more wholly owned centers by 1980, in Las Vegas, Nevada, Grand Forks, North Dakota, and Lansing, Michigan. In partnership with others, DHP plans to build two additional regional centers during this period – in Oklahoma City and in Phoenix. Several additional locations are under consideration.



Eastland: Mall enclosed in 1975.

Estimated Current Value

Management believes that the estimated value in excess of original cost of Dayton Hudson Properties' shopping centers and commercial properties is an important measure of real estate performance.

To apply this measure for internal purposes, we have found it useful to determine the Estimated Current Value by applying a method employed by experienced buyers, sellers and mortgagees of commercial operating properties. This method is to capitalize the operating income of operating properties more than a year old at a percentage rate. This rate is designed to reflect the quality of a project and current money-market conditions in determining a value that would be useful to an informed real estate investor. We have used what we believe to be a reasonable capitalization rate of 10% in our determination of Estimated Current Value, which is presented below.

This presentation is intended only to assist in a fuller understanding of the potential of our properties. There is no assurance that the Estimated Current Value shown could be realized on any individual or bulk sale. We have no present plans to sell any substantial portion of these properties.

(thousands)	1975	1974	1973	1972
Operating Income*	$ 20 159	$ 14,356	$ 15,733	$ 14,015
Estimated Current Value of operating properties (operating income capitalized at 10%)	201 590	143,560	157,330	140 150
Total cost of operating properties (before depreciation)	158,132	123 986	124 153	120,744
Estimated value in excess of cost	$ 43 458	$ 19,574	$ 33,177	$ 19,406

*Earnings before interest, depreciation and income taxes from properties in operation at least a full year

Financial Review

Line of Business Reporting

We present separate financial statements for our two lines of business — Retail and Real Estate — to give as clear a picture of each operation as possible. We believe the performance and financial structure of each business can best be judged against the standards of its own industry.

Financial Goals

Dayton Hudson Corporation's primary objective is to provide shareholders with an optimum return on investment over time. To meet that objective, our aim is to grow and earn at a rate among the best in industry.

Our specific goals are to earn a consistent return on shareholders' equity of 14% and sustain an annual earnings growth of at least 10%. Our return on beginning shareholders' equity in 1975 was 14.4%. Earnings have increased at a compound annual growth rate of 22% since 1970 and 7.7% since 1965. The keys to future achievement of our goals will be:

- To continue to improve the return on assets employed in our existing businesses, and
- To identify the highest-yielding strategies for future investments that will continue the profitable expansion of our earnings base.

To focus the attention of the Corporation on these goals, operating management is closely measured first on its ability to meet an agreed-upon standard return on investment, and second on its ability to increase earnings. New investment and capital projects are subject to a common discipline of analysis throughout the Corporation. The Corporation's primary criteria for allocating available capital to an operating division are current profitability, development of market position, anticipated return on investment, the strength of the management team and the quality of its strategic plan.

For our Retail line of business, after-tax return on assets employed at the beginning of the year was 9.2% in fiscal 1975, as compared with 5.8% a year earlier. We define assets employed as the sum of working capital, net fixed assets and the capitalized value of all long-term leases. Earnings are after tax but adjusted to exclude financing costs. The following table sets forth the assets employed and the return thereon for fiscal 1975 and fiscal 1974:

(millions of dollars)	1975	1974
Net Earnings of Retail	$ 51.4	$ 25.5
Interest Expense After Tax	4.2	7.1
Interest Equivalent of Long Term Leases After Tax[a]	6.4	5.8
Earnings Before Financing Costs	$ 62.0	$ 38.4

	1974 Year End	1973 Year End
Working Capital[b]	$236.1	$243.9
Net Property and Equipment	271.3	259.0
Other Assets	6.4	7.4
Capitalized Value of Leases[a]	160.2	146.2
Total Assets Employed	$674.0	$656.5
After Tax Return on Beginning of Year Investment	9.2%	5.8%

[a] For performance measurement, we capitalize leases by multiplying gross minimum rents by 10. This method is conservative in comparison with the treatment proposed by the Financial Accounting Standards Board on the treatment of leases. The related interest equivalent in the capitalized leases is derived by assuming a 4% after-tax interest rate on the beginning-of-the-year capitalized leases.

[b] Interest-bearing debt is excluded from current liabilities for purposes of computing working capital.

Financial Policies

It is our objective to maintain a strong, conservative financial structure. The Corporation operates under a set of clearly defined financial policies that are intended to meet that objective. Separate capitalization and financing methods are used as appropriate in our Retail and Real Estate lines of business.

Our financial policy for the Retail business sets the maximum ratio of debt to total capitalization at 50% when computed to include recognition of lease obligations. We began 1975 with a 48% Retail debt ratio, and reduced it to 43% at year end. Management expects that the debt ratio will be in the range of 40% to 50% during the next five years. Income coverage of fixed charges with this balanced capital structure results in a low level of risk. These policies are intended to maintain flexibilty as to our sources of funds and to minimize our cost of funds. We believe these policies are consistent with our objective of strengthening the "A" rating of our senior debt. The greater part of our Retail expansion has been financed with internally generated funds.

The financing of our Real Estate business is treated distinctly different from that of our Retail business. This follows from the fundamentally different financial characteristics, levels of acceptable leverage and forms of financing that apply to the Real Estate business. The Real Estate business is financed with secured long-term debt, primarily mortgages, which is supported by the credit of numerous diverse tenants through long-term leases.

The total consolidated debt ratio was 51% at year end 1975, compared with 54% in 1974. The following table reflects our current capitalization, as well as the segmentation of our capital structure between Retail and Real Estate.

Capital Structure at January 31, 1976
(millions of dollars)

	Consolidated	Retail	Real Estate
Notes Payable	-0-	-0-	-0-
Long-Term Debt (Current and Non-Current)	$255	$131	$124
Capitalized Value of Long-Term Leases[a]	169	169	-0-
Total Debt and Equivalent	$424	$300	$124
Deferred Credits	19	12	7
Equity	396	385	11
Total Capitalization	$839	$697	$142
Debt Ratio (Total Debt and Equivalent as % of Total Capitalization)	51%	43%	87%

[a] Capitalized value of leases computed by multiplying gross minimum rents by 10.

Our financial policies have served us well. We began 1975 in strong financial condition, but we faced an uncertain retail outlook. To ensure financial flexibility, we reduced our planned capital expenditures. Our operating companies effectively managed their working capital and tightened expense controls. Result: An even stronger financial condition at year end.

Summary and Analysis of Operations

The following comments and tables relate primarily to the results of operations for fiscal 1975, 1974 and 1973, as shown in the Five- and Ten-Year Comparisons on Pages 30-33.

Net earnings for fiscal 1975 were more than double those of the prior year. The additional earnings contribution this year was a result of several factors. The table below reconciles the change in earnings for 1975 compared with 1974, and for 1974 compared with 1973.

	1975	1974	1973
Retail Earnings Per Share	$3.23	$1.59	$1.57
Real Estate Earnings Per Share	(.01)	(.02)	.13
Consolidated Earnings Per Share	$3 22	$1.57	$1.70
Change from Prior Year	$1.65	$ (.13)	

Variance Analysis: Retail Line of Business	Net Earnings Per Share Impact 1975 vs 1974	1974 vs 1973
Change in Net Earnings due to:		
Sales Volume	$ .20	$ .12
Gross Margin Rate	.81	(12)
Operating Expense Rate	.76	(.09)
Start-up Expense	.09	(.03)
Interest Expense	.17	(.03)
Corporate Expense	(.27)	.08
Income Tax Rate	(.14)	(.01)
Other Factors	.02	.10
Retail Earnings Change from Prior Year	$1.64	$ 02
Real Estate Line of Business		
Change in Net Earnings due to:		
Operating Properties	$ .06	$ (.10)
Landholding	(.03)	(.03)
Development Expense	.01	—
Joint Ventures	(.03)	(.04)
Other Factors	—	02
Real Estate Earnings Change from Prior Year	$ .01	$ (.15)
Total Consolidated Earnings Change from Prior Year	$1.65	$ (.13)

Significant Factors Affecting Earnings:

Retail Operations

- Revenues in 1975 increased 12.4% from the prior year. This increase compares favorably with a 7.5% gain in 1974.

	(millions of dollars) 1975	1974	Increase All Stores	Comparable Stores
Department Stores	$ 888.7	$ 823.3	7.9%	4.4%
Low-Margin Stores	616.2	524 6	17 5	15.3
Specialty Stores	149.3	124.3	20.1	7.2
	$1,654.2	$1,472.2	12.4%	8.5%

Comparable-store revenues exclude the contribution of stores opened during the preceding 12 months. The 8.5% increase in comparable-store revenues in 1975 compares with a 3.1% increase in 1974 and 4.3% increase in 1973.

From 1970 to 1975, the compound annual growth rate for total revenues was 12%. The sales contribution of low-margin and specialty stores has increased significantly. These operations now generate 46% of total Retail sales, compared with 36% in 1970.

The greater part of the sales increases in 1975 resulted from improved productivity in existing stores. Sales productivity improvement was most noticeable in the low-margin stores. Specialty stores continue to provide the highest sales volume per square foot.

	Sales Per Square Foot* 1975	1974	1973
Department Stores	$ 88	$ 85	$ 85
Low-Margin Stores	108	94	85
Specialty Stores	139	135	148

*average of beginning and end of year gross square feet of retail space

- Gross Margin Rate also contributed significantly to the increased earnings in 1975. The over-all margin improvement in 1975 resulted in large part from our focus on improving merchandise mix to emphasize the higher margin departments Clearance markdowns and inventory shortages were less than in 1974, in line with improved merchandising and better inventory controls.

- Operating Expenses compare favorably with those of the previous two years. They were 27.4% of sales in 1975, compared with 28 8% and 28.6% for 1974 and 1973, respectively. The percentage relationship of operating expenses to sales measures the relative amount of each sales dollar that is required for occupancy expense, payroll, advertising and other expenses directly supporting the Retail function. The improvement in 1975 resulted from the effectiveness of contingency expense planning early in the year and reflected productivity increases of both payroll and non-payroll oriented costs.

Maintenance and repairs increased $2.1 million in 1975 after a $.2 million decrease in 1974. The 31% increase in 1975 was a result of increased maintenance programs in several low-margin stores.

- **Start-Up Expenses** were $5.1 million in 1975, compared with $7.9 million in 1974. The decline in start-up expense reflected a slower rate of expansion during 1975. Expansion of our Retail stores and space in 1975 included two department stores, two Target stores and the net addition of 42 specialty stores — in all, 585,000 square feet of new Retail space. Net Retail space added in 1974 amounted to 768,000 square feet.

Department Stores	End of 1975		End of 1974	
Stores and Expansion	Stores	Space*	Stores	Space*
Hudson's	13	5,211	12	5,077
Dayton's	8	3,052	8	3,052
Diamond's	7	862	7	863
Lipmans	7	669	6	619
John A. Brown	4	353	4	353
Total	39	10,147	37	9,964
Low-Margin Stores				
Target	48	5,120	46	4,797
Lechmere	4	773	4	773
Total	52	5,893	50	5,570
Specialty Stores				
Jewelers	40	239	37	240
B. Dalton	209	812	168	720
Team**	24	64	26	76
Total	273	1,115	231	1,036
Total Retail Stores	364	17,155	318	16,570

*Thousands of gross square feet.

**Includes only 100% owned stores; 81 Team stores are franchised or partially owned.

In 1976, the Corporation plans to open four department stores, at least three Target stores and about 40 specialty stores for a total of more than 1 million square feet of additional Retail space.

- **Interest Expense** was $8.8 million in 1975, compared with $14.3 million in 1974. Interest in 1975 was lower than in the prior year, since we had no short-term borrowing in the last three quarters. In 1975, the Retail business was in an average short-term invested position of $16 million, on which we earned $1 million. The average borrowing was $48 million in 1974 and $40 million in 1973.

- **Corporate Expense** increased to $14.6 million in 1975 from $6.1 million in 1974. The major portion of the increase was due to higher charitable contributions (it is the Corporation's policy to utilize 5% of its Federal taxable income for charitable purposes in communities where we do business) and anticipated exercise of stock appreciation rights by key personnel throughout the Corporation (see Note H in Notes to Financial Statements). The improvement in Corporate expense in the 1973-1974 period resulted from a significant reduction of Corporate staff.

- **Income Tax Rate** for Retail was 52.1% in 1975, compared with 50% in 1974 and 49.7% in 1973. Higher state income taxes in Michigan and less investment tax credit as a percentage of pre-tax income accounted for the major portion of the tax-rate increase:

	1975	1974
Statutory Federal Tax Rate	48.0%	48.0%
State Income Taxes, net of Federal Income Taxes	4.2	3.5
Investment Tax Credit (flow-through method)	(.9)	(2.2)
Miscellaneous Items	.8	.7
Effective Income Tax Rate	52 1%	50.0%

The consolidated effective tax rate was 52.1% for 1975, compared with 49.7% and 48.8% for 1974 and 1973, respectively, and includes the consolidated operations of Retail and Real Estate lines of business.

Real Estate Operations

- **Operating Properties** resumed a favorable trend in 1975 as a result of a 28 8% increase in rental revenues, with only a 19.9% increase in operating expenses. In 1974, a revenue increase of 6.2% was more than offset by an 18.2% jump in expenses. Two significant factors in the 1975 revenue increase were the completion of expansion and mall enclosures at Northland and Eastland Centers in Detroit early in the year, and the first full year of operation for our newest center, Ridgedale, in suburban Minneapolis. Since 1970, the compound growth rate for rental revenues has been 14%. Additions to leasable space, growth in percentage rents based on tenant sales, and a continuing program to upgrade tenants in older centers contributed to this favorable trend.

  Operating income (income from operating properties before depreciation, interest and income taxes) totaled $20.2 million in 1975, compared with $14 3 million in 1974 and $15 million in 1973. The growth rate in operating income since 1970 has been 22%.

- **Land Sales** income contribution has been depressed the last two years. Declining land sales income — from a pretax gain of $1.5 million in 1973 to a pretax loss of $.8 million in 1975 — reflected the uncertain economic outlook and scarcity of mortgage money, a combination that made it difficult for potential buyers to obtain financing.

- **Joint Ventures** are becoming an important vehicle in our development of new shopping centers. The increasing expense in joint venture operations primarily reflects the development of three jointly owned shopping centers currently under construction. A more detailed discussion of these projects can be found in the Operating Review.

- **Funds Provided by Operations** totaled $8.7 million in 1975, compared with $5.2 million and $8.2 million in 1974 and 1973, respectively. Funds Provided by Operations is equivalent to cash generated by operations before principal payments on long term debt and is regarded by the investment building industry as an important measure of real estate performance. The decline in Funds Provided in 1974 reflected significantly higher interest costs and the declining trend in land sales.

Financial Position

- **Working Capital** increased $10.6 million during 1975. Our year-end working capital was 13.6% of revenues, compared with 14.6% in 1974 and 16.3% in 1973. Our consolidated current ratio at the end of 1975 was 1.8 to 1, slightly lower than the 2 to 1 ratio achieved in 1974 because of efficient asset management.
- **Capital Expenditures** during 1975 reflected our response to the uncertain retail outlook that we faced at the beginning of 1975. The Corporation spent $39.8 million in 1975, compared with $58 million in 1974. Retail capital expenditures were $30.2 million. Including the capitalized value of new leases, Retail capital investment totaled $38.9 million, versus $50.6 million in 1974.

  Real Estate capital expenditures on wholly owned projects totaled $9.6 million in 1975, compared with $21.5 million in 1974. These dollars were spent primarily in the expansion and improvements of our existing operating properties.

  An increasing proportion of Real Estate's new investment is in joint ventures with other developers. Including capital expenditures of $12 million, an amount based on our percentage of ownership in the joint-venture partnerships, total capital investment by Real Estate was $21.6 million in 1975.

Capital Investment 1975
(millions of dollars)

	Consolidated	Retail	Real Estate
Capital Expenditures	$39.8	$30.2	$ 9.6
Capitalized Value of Leases	8.7	8.7	—
Share of Joint Ventures	12.0	—	12.0
Total	$60.5	$38.9	$21.6

  Our plans for 1976 call for $73 million of new Retail investment, including the capitalized value of new leases. For Real Estate, we are budgeting $30 million for 1976, including our share of joint ventures.

- **Financing** of our two lines of business reflects policies that determine the use of borrowed money. Our asset management programs, together with improved operating performance, have produced a notable swing in our short-term borrowing. During 1974, peak short-term borrowing to meet seasonal needs was $82 million. Since April 1975 we have had no short-term borrowing.

  The long-term debt of our Retail business was reduced by $23 million during the year. However, rental obligations did increase, primarily for specialty store space. We currently plan to finance the expansion of our department store and low-margin operations with internal funds, and continue to lease our new specialty store space. Because we own the majority of our department and low-margin stores, depreciation and the related deferred taxes provide a significant source of internal funds flow in addition to retained earnings.

  The long-term debt of our Real Estate business remained at the same level at year-end 1975 as in 1974. The additions of permanent mortgage financing for Ridgedale Shopping Center ($15.5 million) and Southdale Office Centre IV ($5.1 million) and the net proceeds from refinancing of Northland Center ($12.4 million) replaced the $28 million of construction financing carried at year-end 1974.

Quarterly Comparisons

Comparative quarterly revenues and earnings per share are as follows:

Revenues (millions)	Consolidated		Retail		Real Estate	
Quarter	1975	1974	1975	1974	1975	1974
First	$ 336.8	$ 324.2	$ 328.5	$ 313.2	$ 8.3	$11.0
Second	388.8	345.1	379.2	337.9	9.6	7.2
Third	415.1	367.6	405.3	359.9	9.8	7.7
Fourth	551.8	467.6	541.2	461.2	10.6	6.4
Total Year	$1,692.5	$1,504.5	$1,654.2	$1,472.2	$38.3	$32.3

Earnings Per Share	Consolidated		Retail		Real Estate	
Quarter	1975	1974	1975	1974	1975	1974
First	$ .17	$ .12	$ .17	$ .11	$ —	$ .01
Second	.45	.16	.46	.17	(.01)	(.01)
Third	.67	.24	.68	.28	(.01)	(.04)
Fourth	1.93	1.05	1.92	1.03	.01	.02
Total Year	$ 3.22	$ 1.57	$ 3.23	$ 1.59	$(.01)	$(.02)

LIFO inventories at year end were higher than projected during the year. If 1975 interim results were adjusted to reflect the actual level of inventories at January 31, 1976, Consolidated and Retail earnings per share for the first, second and third quarters would have been higher than reported by $.07, $.08 and $.08, respectively, and fourth-quarter earnings lower by $.23.

Dividends paid to shareholders in 1975 totaled $.66 per share, an increase of 13% over 1974. The quarterly rate was increased to $.18 per share for the quarterly dividend payable September 10, 1975, and increased again to $.21 for the dividend payable March 10, 1976. The current annualized rate of dividends to shareholders is $.84 per share. It is the policy of the Corporation to make regular increases in dividends per share of common stock consistent with our experience in earnings growth over time. The two increases are in keeping with that policy.

Common Stock Prices

Common stock of the Corporation is listed on the New York Stock Exchange (symbol: DH). Shares are traded on both the New York and Detroit Stock Exchanges. The number of shareholders decreased 7.7% from 13,055 in 1974 to 12,043 in 1975.

	Common Stock Price Range				Quarterly Dividends Per Share	
	1975		1974			
Quarter	High	Low	High	Low	1975	1974
First	$13½	$ 9	$12	$9	$.15	$.13½
Second	20½	12⅜	11⅝	8¾	.15	.15
Third	27	17¼	9¼	6¾	.18	.15
Fourth	34¾	24⅝	9¾	6½	.18	.15
Year	$34¾	$ 9	$12	$6½	$.66	$.58½

Results of Operations

Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED

(Thousands of Dollars)

	1975	1974
REVENUES		
Net retail sales, including leased departments and carrying charges	$1,652,269	$1,470,419
Landholding revenues, principally real estate sales	2,048	4,115
Rental revenue	38,211	29,935
	$1,692,528	$1,504,469
COSTS AND EXPENSES		
Cost of retail sales, buying and occupancy	$1,166,363	$1,067,983
Cost of real estate sales	511	1,486
Selling, publicity and administrative	307,711	275,238
Depreciation and amortization	29,861	27,559
Rental expense	22,895	20,069
Interest expense	18,317	23,508
Taxes other than income taxes	39,852	38,551
	$1,585,510	$1,454,394
EARNINGS BEFORE INCOME TAXES	$ 107,018	$ 50,075
INCOME TAXES (Note E)		
Current	$ 53,116	$ 21,181
Deferred	2,585	3,711
	$ 55,701	$ 24,892
NET EARNINGS	$ 51,317	$ 25,183
NET EARNINGS PER SHARE	$ 3.22	$ 1.57

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

RETAIL

(Thousands of Dollars)

REVENUES

Net retail sales, including leased departments and carrying charges

Rental revenue

COSTS AND EXPENSES

Cost of retail sales, buying and occupancy

Selling, publicity and administrative

Depreciation and amortization

Rental expense

Interest expense

Taxes other than income taxes

EARNINGS BEFORE INCOME TAXES

INCOME TAXES (Note E)

Current

Deferred

NET EARNINGS

NET EARNINGS PER SHARE

	1975	1974
	$1,652,269	$1,470,419
	1,933	1,762
	$1,654,202	$1,472,181
	$1,157,133	$1,058,551
	301,477	272,004
	23,739	22,642
	22,895	20,069
	8,798	14,298
	32,931	33,507
	$1,546,973	$1,421,071
	$ 107,229	$ 51,110
	$ 53,429	$ 22,151
	2,383	3,414
	$ 55,812	$ 25,565
	$ 51,417	$ 25,545
	$ 3.23	$ 1.59

REAL ESTATE

(Thousands of Dollars)

	1975	1974
OPERATING PROPERTIES		
Rental revenue	$36,278	$28,173
Operating expenses:		
Occupancy and administrative	$ 8,677	$ 8,347
Maintenance and repairs	1,372	1,097
Taxes other than income taxes	6,070	4,400
Depreciation and amortization	6,122	4,917
Interest expense	8,760	7,094
	$31,001	$25,855
Earnings from operating properties before income taxes	$ 5,277	$ 2,318
LANDHOLDING		
Revenues, principally real estate sales	$ 2,048	$ 4,115
Costs and expenses:		
Cost of real estate sales	$ 511	$ 1,486
Taxes other than income taxes	833	618
Interest expense	381	463
Other	1,080	745
	$ 2,805	$ 3,312
Earnings (loss) from landholding, before income taxes	$ (757)	$ 803
DEVELOPMENT EXPENSE		
Development expense, excluding interest	$ 1,959	$ 1,404
Interest expense	378	1,653
Total development expense	$ 2,337	$ 3,057
EARNINGS BEFORE EQUITY IN EARNINGS (LOSS) OF JOINT VENTURES AND INCOME TAXES	$ 2,183	$ 64
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURES (Note F)	(2,394)	(1,099)
EARNINGS (LOSS) BEFORE INCOME TAXES	$ (211)	$ (1,035)
INCOME TAXES (Note E)		
Current	$ (313)	$ (970)
Deferred	202	297
	$ (111)	$ (673)
NET EARNINGS (LOSS)	$ (100)	$ (362)
NET EARNINGS (LOSS) PER SHARE	$ (.01)	$ (.02)

Statements of Financial Position
Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED
(Thousands of Dollars)

ASSETS	1975 January 31, 1976	1974 February 1, 1975
CURRENT ASSETS		
Cash and short-term investments	$ 34,285	$ 10,808
Accounts receivable		
Thirty day accounts	3,087	5,788
Deferred payment accounts	237,567	208,377
Other accounts	27,875	23,882
Less allowance for losses	(8,651)	(6,732)
	259,878	231,315
Merchandise inventories (Note A)	217,029	183,309
Supplies and prepaid expenses	7,033	7,698
TOTAL CURRENT ASSETS	$518,225	$433,130
INVESTMENTS AND OTHER ASSETS	$ 19,303	$ 24,453
PROPERTY AND EQUIPMENT (Note B)		
Land and improvements	$ 93,494	$ 88,846
Buildings and improvements	411,418	388,481
Fixtures and equipment	109,797	109,659
Construction in progress	20,438	23,361
Accumulated depreciation	(227,777)	(211,459)
	$407,370	$398,888
	$944,898	$856,471

LIABILITIES	1975	1974
CURRENT LIABILITIES		
Accounts payable	$115,682	$ 89,666
Taxes other than income taxes	31,883	29,949
Accrued liabilities	52,010	34,930
Income taxes, currently payable	37,778	17,606
Deferred income taxes — installment sales (Note E)	37,203	30,882
Current portion of long-term debt	13,959	11,019
TOTAL CURRENT LIABILITIES	$288,515	$214,052
LONG-TERM DEBT (Note B)	$241,211	$263,822
DEFERRED CREDITS — principally income taxes (Note E)	$ 18,776	$ 22,486
SHAREHOLDERS' INVESTMENT (Notes B and D)	$396,396	$356,111
	$944,898	$856,471

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

RETAIL
(Thousands of Dollars)

ASSETS

CURRENT ASSETS

Cash and short-term investments

Accounts receivable

Thirty day accounts

Deferred payment accounts

Other accounts

Less allowance for losses

Merchandise inventories (Note A)

Supplies and prepaid expenses

TOTAL CURRENT ASSETS

INVESTMENTS AND OTHER ASSETS

PROPERTY AND EQUIPMENT (Note B)

Land and improvements

Buildings and improvements

Fixtures and equipment

Construction in progress

Accumulated depreciation

LIABILITIES

CURRENT LIABILITIES

Accounts payable

Taxes other than income taxes

Accrued liabilities

Income taxes, currently payable

Intercompany accounts

Deferred income taxes — installment sales (Note E

Current portion of long-term debt

TOTAL CURRENT LIABILITIES

LONG-TERM DEBT (Note B)

DEFERRED CREDITS —

principally income taxes (Note E)

SHAREHOLDERS' INVESTMENT (Notes B and D)

	1975 January 31, 1976	1974 February 1, 1975
	$ 34,233	$ 10,620
	3,087	5,788
	237,567	208,377
	10,880	12,643
	(8,426)	(6,598)
	243,108	220,210
	217,029	183,309
	6,929	7,603
	$501,299	$421,742
	$ 4,067	$ 6,356
	$ 56,635	$ 54,949
	267,997	261,296
	107,309	107,365
	17,716	10,003
	(173,422)	(162,326)
	$276,235	$271,287
	$781,601	$699,385
	$113,613	$ 85,084
	23,372	22,571
	49,945	33,131
	38,555	18,841
	(8,704)	(4,888)
	37,203	30,882
	7,636	6,930
	$261,620	$192,551
	$123,823	$147,201
	$ 11,350	$ 15,210
	$384,808	$344,423
	$781,601	$699,385

REAL ESTATE
(Thousands of Dollars)

ASSETS	1975 January 31, 1976	1974 February 1, 1975
CURRENT ASSETS		
Cash	$ 52	$ 188
Accounts receivable	16,995	11,239
Less allowance for losses	(225)	(134)
	16,770	11,105
Supplies and prepaid expenses	104	95
TOTAL CURRENT ASSETS	$ 16,926	$ 11,388
INVESTMENTS AND OTHER ASSETS (Note F)	$ 15,236	$ 18,097
PROPERTY AND EQUIPMENT (Note B)		
Land and improvements	$ 36,859	$ 33,897
Buildings and improvements	143,421	127,185
Fixtures and equipment	2,488	2,294
Construction in progress	2.722	13,358
Accumulated depreciation	(54,355)	(49,133)
	$131,135	$127,601
	$163,297	$157,086

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 2,069	$ 4,582
Taxes other than income taxes	8,511	7,378
Accrued liabilities	2,065	1,799
Income taxes, currently payable	(777)	(1,235)
Intercompany accounts	8,704	4,888
Current portion of long-term debt	6,323	4,089
TOTAL CURRENT LIABILITIES	$ 26,895	$ 21,501
LONG-TERM DEBT (Note B)	$117,388	$116,621
DEFERRED CREDITS — principally income taxes (Note E)	$ 7,426	$ 7,276
SHAREHOLDERS' INVESTMENT (Notes B and D)	$ 11,588	$ 11,688
	$163,297	$157,086

Statements of Changes in Financial Position
Dayton Hudson Corporation and Subsidiaries

CONSOLIDATED
(Thousands of Dollars)

	1975	1974
FUNDS PROVIDED BY		
Operations:		
Net earnings	$ 51,317	$ 25,183
Items not affecting working capital:		
Depreciation and amortization	29,861	27,559
Equity in loss of joint ventures	2,394	1,099
Increase (decrease) in non-current deferred income taxes	(3,736)	1,614
Other items	1,504	(310)
Funds provided by operations	$ 81,340	$ 55,145
Increase in long-term debt	7,437	8,000
Disposals of property and equipment	2,268	10,589
	$ 91,045	$ 73,734
FUNDS USED FOR		
Additions to property and equipment	$ 39,786	$ 58,160
Reduction of long-term debt	30,048	12,949
Cash dividends	10,789	9,603
Increase in investment in joint ventures	28	2,113
Other, net	(238)	1,282
Increase (decrease) in working capital	10,632	(10,373)
	$ 91,045	$ 73,734
INCREASES (DECREASES) IN COMPONENTS OF WORKING CAPITAL		
Cash and short-term investments	$ 23,477	$ 2,596
Accounts receivable	28,563	11,161
Merchandise inventories	33,720	(16,717)
Supplies and prepaid expenses	(665)	2,278
Increase (decrease) in current assets	$ 85,095	$ (682)
Accounts payable	$ 26,016	$ 955
Accrued expenses and other	25,335	6,268
Income taxes, currently payable	20,172	573
Current portion of long-term debt	2,940	1,895
Increase in current liabilities	$ 74,463	$ 9,691
Net increase (decrease)	$ 10,632	$ (10,373)

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

RETAIL
(Thousands of Dollars)

FUNDS PROVIDED BY
Operations:
Net earnings
Items not affecting working capital:
Depreciation and amortization
Increase (decrease) in non-current deferred income taxes
Other items
Funds provided by operations
Disposals of property and equipment
Other, net
FUNDS USED FOR
Additions to property and equipment
Reduction of long-term debt
Cash dividends
Increase (decrease) in working capital
INCREASES (DECREASES) IN COMPONENTS OF WORKING CAPITAL
Cash and short-term investments
Accounts receivable
Merchandise inventories
Supplies and prepaid expenses
Increase (decrease) in current assets
Accounts payable
Accrued expenses and other
Income taxes, currently payable
Current portion of long-term debt
Intercompany accounts
Increase in current liabilities
Net increase (decrease)

	1975	1974
	$ 51,417	$ 25,545
	23,739	22,642
	(3,938)	1,317
	1,463	393
	$ 72,681	$ 49,897
	1,515	1,746
	661	364
	$ 74,857	$ 52,007
	$ 30,202	$ 36,645
	23,378	16,784
	10,789	9,603
	10,488	(11,025)
	$ 74,857	$ 52,007
	$ 23,613	$ 2,493
	22,898	8,084
	33,720	(16,717)
	(674)	2,380
	$ 79,557	$ (3,760)
	$ 28,529	$ (271)
	23,936	5,370
	19,714	1,765
	706	3,228
	(3,816)	(2,827)
	$ 69,069	$ 7,265
	$ 10,488	$ (11,025)

REAL ESTATE
(Thousands of Dollars)

	1975	1974
FUNDS PROVIDED BY		
Operations:		
Net earnings (loss)	$ (100)	$ (362)
Items not affecting working capital:		
Depreciation and amortization	6,122	4,917
Equity in loss of joint ventures	2,394	1,099
Increase in non-current deferred income taxes	202	297
Other items	41	(703)
Funds provided by operations	$ 8,659	$ 5,248
Reduction of long-term debt	(4,435)	(5,549)
Funds after debt service	$ 4,224	$ (301)
Other sources:		
Increase in long-term debt	7,437	16,050
Disposals of property and equipment	753	8,843
Decrease in long-term receivables	737	237
	$13,151	$24,829
FUNDS USED FOR		
Additions to property and equipment	$ 9,584	$21,515
Increase in investment in joint ventures	28	2,113
Increase (decrease) in other working capital items, net	2,453	(1,081)
Other, net	1,086	2,282
	$13,151	$24,829

Dayton Hudson Corporation uses the accrual basis of accounting, following generally conservative accounting policies. The following is a description of those policies.

Consolidation. The financial statements include the accounts of Dayton Hudson Corporation and subsidiaries, all of which are wholly owned.

Joint Venture Investments. The Corporation accounts for its investment in joint ventures using the equity method, on a one-month lag basis. All the joint ventures of the Real Estate subsidiaries have adopted a calendar year as their fiscal year. See Note F for condensed financial statements of the combined joint ventures.

Financial Data by Line of Business. Dayton Hudson Corporation operates its Retail business through department, low-margin and specialty stores. Through its Real Estate business, it owns, develops and manages regional shopping centers, office buildings and other commercial properties.

Separate financial statements have been presented for the Retail and Real Estate activities in addition to the Consolidated financial statements in order to describe more clearly the separate effects of the Retail and Real Estate activities on the Corporation's results of operations, flow of funds, and financial position. It is not always possible to total individual captions on the Retail and Real Estate financial statements to agree with Consolidated captions because informative reporting requirements differ widely between Retail and Real Estate. The following allocation methods have been employed to prepare the separate financial statements since legal entities are not exclusively Retail or Real Estate.

Assets, liabilities, revenues and expenses specifically identifiable as either Retail or Real Estate have been so designated, with those not specifically identifiable allocated as follows:

1. Shopping center property, including related depreciation, owned by Real Estate and utilized by the Corporation's department stores, is allocated to the applicable Retail stores on the basis of the percentage of gross area occupied by the stores. The common mall areas, heating, ventilating and air conditioning facilities of the shopping centers are considered Real Estate properties. Parking lot area is allocated on the basis of leasable space in the center, a practice consistent with industry standards.

2. Secured debt and the related interest expense are allocated on the same basis as the property pledged as collateral to the debt. Unsecured long-term debt has been assigned to Retail, except for the portion utilized to finance Real Estate construction in progress and properties completed but not yet permanently financed.

3. Property taxes are allocated on the basis of gross leasable area, in general accordance with terms of leases with shopping center tenants.

4. Separate income tax provisions are computed for each line of business. Tax benefits and items that require specific treatment in the Consolidated Federal income tax return are assigned to the originating line of business. Deferred income taxes have been assigned to the Real Estate or Retail line of business based on the assets or liabilities associated with those deferred taxes.

5. Corporate Office expenses are allocated based on assets, sales and payroll dollars.

Elsewhere in the annual report, financial information is presented for the department, low-margin and specialty stores groups.

Property and Equipment. Property and equipment is carried at cost less accumulated depreciation.

Depreciation is computed using the straight line method for financial reporting purposes and accelerated methods for tax purposes.

The following estimated lives are used in computing depreciation:

Buildings and land improvements	20 to 50 years
Fixtures and equipment	3 to 20 years
Leasehold improvements	Life of lease or useful life of asset

Real Estate capitalizes real property taxes and certain other costs, exclusive of interest, associated with the construction or development of a project. Retail expenses real property taxes and interest.

Costs capitalized by Real Estate are classified as construction in progress until the project becomes operational, at which time the accumulated project costs are transferred to operating property categories and depreciated over the appropriate life. Preliminary development expenses are charged to current operations until there is a commitment for construction of a project. Interest and real estate taxes related to land held for future development or sale are expensed as incurred.

Accounts Receivable and Allowance for Losses. The Corporation's policy is to write off Retail accounts receivable if any portion of the balance is more than 12 months past due, or when the scheduled payment has not been received for six consecutive months. The allowance for losses for uncollectible customer accounts receivable is based upon historical bad-debt experience and current agings of the accounts. Certain accounts due beyond one year are classified as current in accordance with industry practice.

Employee Benefits. The Corporation and its subsidiaries have retirement plans covering substantially all employees. Pension Costs are funded as accrued. Costs with respect to the plans are actuarially computed using the "aggregate cost method." Under this method, unfunded costs and actuarial gains and losses are spread over future periods. In addition, a Savings and Stock Purchase Plan is made available to substantially all employees who meet the eligibility requirements (primarily based on age and length of service). Employees can contribute up to a maximum of 10% of their salaries to the Plan. Under this Plan the Corporation contributes 50 cents for each dollar deposited by the employee up to a maximum of 2½% of the participant's current cash compensation. Vesting commences after participating in the plan one year. The employee is fully vested after six years.

Other Costs. Expenses incurred in obtaining long-term financing are amortized over the term of the related debt.

Leasing costs and allowances to tenants for leasehold improvements are amortized over the life of the lease.

Expenses associated with the opening of new stores are charged against income as they are incurred.

Inventories. Inventories and related cost of sales are accounted for principally by the retail inventory method using the last-in, first-out (LIFO) basis.

Income Taxes. Gross profit on Retail installment sales is recognized for financial reporting purposes when the sales are recorded. For income tax purposes the installment method of reporting profit on installment sales is used.

Deferred income taxes arising from Retail installment sales are included in the Statement of Financial Position as a current liability All other deferred taxes are included in "Deferred Credits" in the Statement of Financial Position.

The Corporation and its subsidiaries file a consolidated Federal income tax return.

The income tax provision includes Federal and state income taxes computed at ordinary and capital gains rates where applicable. Investment credit has been used to reduce income taxes in the year the property was placed in service.

Per Share Data. Net earnings per share, Consolidated and Retail, have been computed after provision for dividends on preferred stock, based upon the weighted average number of common shares (15,850,000 in 1975 and 1974) outstanding during the year Per share amounts for Real Estate have been computed based on net loss of Real Estate operations.

Fiscal Year. The Corporation's fiscal year ends on the Saturday closest to January 31. Fiscal year 1975 ended on January 31, 1976; fiscal year 1974 ended on February 1, 1975. Each of these years consisted of 52 weeks.

Reclassification of Accounts. Certain account balances of prior years have been reclassified to conform with classifications in 1975 None of these reclassifications had an effect on net earnings

Notes to Financial Statements

Dayton Hudson Corporation and Subsidiaries

A. INVENTORIES

(Thousands of Dollars)

Inventories are accounted for principally by the retail inventory method using the last-in, first-out (LIFO) method.

Merchandise inventories detailed by types of stores are as follows:

	Department Stores	Low-Margin Stores	Specialty Stores	Total
January 29, 1977	$106,006	$92,534	$39,182	$237,722
January 31, 1976	$ 99,257	$82,481	$35,291	$217,029

If the inventories had been valued by use of the first-in, first-out (FIFO) retail method, they would have been higher as follows:

	Department Stores	Low-Margin Stores	Specialty Stores	Total
January 29, 1977	$ 28,616	$13,504	$ 8,629	$ 50,749
January 31, 1976	$ 25,154	$10,621	$ 7,289	$ 43,064

B. LONG-TERM DEBT

A summary of long-term debt due beyond one year is as follows:

	January 29, 1977			January 31, 1976		
(Thousands of Dollars)	Consolidated	Retail	Real Estate	Consolidated	Retail	Real Estate
Bank Term Loan ..	$ 15,625	$ 15,625	$	$ 18,750	$ 18,750	$
Sinking Fund Debentures	42,270	42,270		46,020	46,020	
5⅝% Sinking Fund Notes — Payable $800,000 annually to 1982	4,800	4,800		5,600	5,600	
Other unsecured notes—maturing at various dates to 1985 and bearing interest from 5% to 8%.	3,158	3,158		3,597	3,597	
Mortgage Notes, notes and contracts for purchase of real estate—payable over periods ranging to 30 years from inception and bearing interest from 4¼% to 9½%	160,476	45,828	114,648	167,244	49,856	117,388
	$226,329	$111,681	$114,648	$241,211	$123,823	$117,388

The Bank Term Loan bears interest at a variable rate not to exceed an average of 7⅝% over the term of the Agreement. The balance is payable in equal quarterly installments with final maturity on January 3, 1983. The Corporation is not required to maintain compensating balances.

The Sinking Fund Debentures bear interest at 7¾% ($21,250,000) and 9¾% ($21,020,000), and are redeemable through minimum annual sinking fund payments of $1.25 million each.

The Corporation terminated its $40 million Revolving Credit Agreement in July 1976. Prior to that time, the Corporation was expected to and did maintain average net collected balances of approximately $3.75 million. These balances served as part of the Corporation's operating cash balances, and were at all times legally subject to withdrawal without restrictions. A commitment fee of ½ of 1% per annum was payable on the unused commitment balance.

The 7¾% and 9¾% Sinking Fund Debentures, the Bank Term Loan and the 5⅝% Sinking Fund Notes each contain varying provisions and restrictions for the protection of the lenders relating to working capital, sale of receivables, dividends and other restricted payments, and other restrictive covenants. Under the most restrictive of these provisions, $169.7 million of retained earnings at January 29, 1977, was available for dividends and other restricted payments.

The carrying value of land, buildings and equipment pledged as collateral to mortgage notes and contracts aggregated approximately $158 million at January 29, 1977.

Aggregate annual principal payments of long-term debt for the next five years are as follows (in thousands): 1977 — $10,820; 1978 — $10,837; 1979 — $11,248; 1980 — $11,808; and 1981 — $13,734.

The Corporation has negotiated a private placement agreement to borrow $50 million at an interest rate of 8⅜% annually — $15 million on November 15, 1977, and the remaining $35 million by November 15, 1979. Sinking fund payments begin in 1983 with final maturity in 1999.

C. LINES OF CREDIT

The Corporation had $105.5 million in unsecured lines of credit with 15 banks at January 29, 1977. Borrowings under the lines of credit are at the prime interest rate. In compensation for the line of credit arrangements, the Corporation was expected to and did maintain average net collected compensating balances (ledger balances less float, as computed by the banks) of approximately $8.2 million. These balances were at all times legally subject to withdrawal with no restrictions, and served as part of the Corporation's operating cash balance. The Corporation's only short term borrowing in 1976 was $7 million of commercial paper for five days in the fourth quarter at an interest rate of 4⅞%. In February 1977, the Corporation reduced its unsecured lines of credit to $71.5 million.

D. DEFERRED INCOME

Deferred income from sales of Real Estate properties of approximately $5.1 and $.7 million have been included in Consolidated and Real Estate deferred credits at January 29, 1977, and January 31, 1976.

D. SHAREHOLDERS' INVESTMENT

(Thousands of Dollars)

	Line of Business		Consolidated				
	Retail	Real Estate	Total	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings
Balance February 2, 1974	$328,497	$12,050	$340,547	$607	$15,852	$39,341	$284,747
Net earnings (loss)	25,545	(362)	25,183				25,183
Cash Dividends:							
Common Stock ($.58½ a share)	(9,273)		(9,273)				(9,273)
Preferred Stock	(330)		(330)				(330)
Common Stock Purchased for Treasury (4,531 shares)	(16)		(16)		(4)		(12)
Balance February 1, 1975	$344,423	$11,688	$356,111	$607	$15,848	$39,341	$300,315
Net earnings (loss)	51,417	(100)	51,317				51,317
Cash Dividends:							
Common Stock ($.66 a share)	(10,461)		(10,461)				(10,461)
Preferred Stock	(328)		(328)				(328)
Common Stock Purchased for Treasury (1,371 shares)	(25)		(25)		(2)	(20)	(3)
Conversions of Preferred Stock				(10)	3	7	
Forfeitures of Restricted Common Shares	(421)		(421)			(421)	
Stock Options	203		203		10	193	
Balance January 31, 1976	$384,808	$11,588	$396,396	$597	$15,859	$39,100	$340,840

Preferred Stock — Authorized 200,000 shares voting without par value, issuable in series, outstanding at January 31, 1976, and February 1, 1975, 32,675 and 33,675 shares, respectively, of $5 Cumulative Convertible Preferred Stock and 27,000 shares of $6 Cumulative Convertible Preferred Stock. Both issues have a liquidation value of $100 per share and are convertible into Common Stock at 2⅔ shares for each share of Preferred Stock.

Common Stock — Authorized 20,000,000 shares par value $1 a share; 16,081,118 shares issued less 221,767 and 233,118 shares in Treasury at January 31, 1976, and February 1, 1975, respectively

Restricted shares of Common Stock previously issued under a terminated Key Executive Restricted Stock Plan of a division were repurchased by the Corporation from terminating executives. The related prepaid compensation was cancelled and additional paid-in capital was charged for the excess of fair market value over the issuance price for shares previously repurchased.

E. INCOME TAX EXPENSE

(Thousands of Dollars)

The components of the provision for income taxes are as follows:

	1975 Total	1975 Federal	1975 State	1974 Total	1974 Federal	1974 State
Consolidated:						
Current	$53,116	$44,875	$8,241	$21,181	$18,378	$2,803
Deferred	2,585	2,386	199	3,711	3,378	333
Total	$55,701	$47,261	$8,440	$24,892	$21,756	$3,136
Retail:						
Current	$53,429	$45,149	$8,280	$22,151	$19,346	$2,805
Deferred	2,383	2,220	163	3,414	3,093	321
Total	$55,812	$47,369	$8,443	$25,565	$22,439	$3,126
Real Estate:						
Current	$ (313)	$ (274)	$ (39)	$ (970)	$ (968)	$ (2)
Deferred	202	166	36	297	285	12
Total	$ (111)	$ (108)	$ (3)	$ (673)	$ (683)	$ 10

Deferred income taxes are provided for income and expenses which are recognized in different accounting periods for financial reporting than for income tax purposes. The timing differences and the related deferred taxes are as follows:

	1975 Consolidated	1975 Retail	1975 Real Estate	1974 Consolidated	1974 Retail	1974 Real Estate
Excess of tax over book depreciation	$1,930	$1,148	$782	$1,704	$1,083	$621
Deferred income on installment sales	5,958	6,321	(363)	1,796	2,097	(301)
Other	(5,303)	(5,086)	(217)	211	234	(23)
Total	$2,585	$2,383	$202	$3,711	$3,414	$297

Based on the Corporation's anticipated future operations and expenditures and current income tax policies, no substantial reduction in the deferred income tax balance is anticipated in the succeeding three years.

F. INVESTMENT IN JOINT VENTURES

(Thousands of Dollars)

Real Estate had partnership interests ranging from 25% to 75% in eleven joint ventures at January 31, 1976. The major commitment to these joint ventures involves the construction of five regional shopping centers, as discussed in the Operating Review. Condensed combined financial statements of the joint ventures follow:

CONDENSED COMBINED RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1975

RENTAL REVENUES	$ 3,996
LANDHOLDING REVENUES	325
TOTAL REVENUES	$ 4,321
COSTS AND EXPENSES	
Depreciation and amortization	$ 1,155
Interest expense (excluding capitalized interest of $2,199)	3,772
Development expense	783
Other costs and expenses	2,662
	$ 8,372
EARNINGS (LOSS)	$(4,051)

RECONCILIATION OF REAL ESTATE SHARE OF EARNINGS (LOSS) OF JOINT VENTURES

Real Estate's Share of Loss (Note 2)	$(1,771)
Interest capitalized by joint venture	(733)
Other adjustments	110
Equity in loss as reflected in accompanying Real Estate and Consolidated results of operations	$(2,394)

CONDENSED COMBINED BALANCE SHEET DECEMBER 31, 1975

ASSETS	
Cash and receivables	$ 8,467
Commercial rental property	25,999
Shopping centers under construction	38,506
Land held for development or sale	33,726
	106,698
Less: Accumulated depreciation	(8,813)
	$ 97,885
LIABILITIES	
Accounts payable and accrued expenses	$ 10,420
Payable to Real Estate	10,072
Long-term debt (Note 1)	72,386
	92,878
PARTNERS' EQUITY	
Dayton Hudson Real Estate	2,039
Other partners	2,968
	5,007
	$ 97,885

RECONCILIATION OF REAL ESTATE INVESTMENT IN JOINT VENTURES

As shown above	$ 2,039
Cumulative effect of adjusting to Real Estate's accounting policies	305
Difference in basis of contributed property	(1,872)
As reflected in accompanying Real Estate and Consolidated statement of financial position	$ 472

(1) In certain situations, because of competitive market conditions and for preferential financial arrangements, the Dayton Hudson Real Estate Subsidiaries have guaranteed repayment of joint venture debt until certain conditions have been met. At December 31, 1975, the Real Estate Subsidiaries were contingently liable for $8,300 of joint venture debt.

(2) The tax benefit resulting from Real Estate's share of the loss is reflected in the provision for income taxes in the àccompanying Real Estate and Consolidated financial statements.

(3) Financial statements of the joint ventures were examined by Ernst & Ernst for 11% of the combined assets, 75% by other auditors and 14% were unaudited.

G. PENSION AND SAVINGS AND STOCK PURCHASE PLANS

Contributions to the Corporation's pension plans for fiscal 1975 and 1974 were $6.8 million and $6.0 million, respectively. The plans' combined assets and liabilities for 1975 and 1974 are as follows:

(Thousands of Dollars)	December 31 1975	1974
ASSETS		
Insurance Contracts	$11,420	$11,393
Fixed Income Securities	18,971	18,558
Equity Securities	40,141	37,795
Total Assets at Cost (market value: 1975 — $69,287, 1974 — $55,771)	$70,532	$67,746
LIABILITIES		
Vested Benefits	$81,897	$72,560
Accrued Benefits, Not Vested	1,712	12,380
Unfunded Liability	(13,077)	(17,194)
Total Liabilities	$70,532	$67,746

Certain changes have been made in the pension plans' eligibility and vesting requirements and in the actuarial assumptions used in calculating the plans' liabilities and the Corporation's contributions. The net effect of these changes reduced the 1975 unfunded liability by approximately $10.4 million. The Corporation estimates that the 1976 contribution to the plan will increase by $ .6 million as a result of these changes.

Contributions to the Savings and Stock Purchase Plan by the Corporation were $2 0 million in 1975 and $1.8 million in 1974. The condensed balance sheet of the Plan is as follows:

(Thousands of Dollars)	January 31 1976	1975
ASSETS		
Investments, at market value:		
Dayton Hudson Stock Fund	$11,178	$ 2,827
Fixed Income Fund	5,499	3,356
Equity Fund	20,738	13,360
Total Assets	$37,415	$19,543
LIABILITIES		
Funds payable for securities and plan withdrawals	$ 881	$ 318
Plan equity	36,534	19,225
Total Liabilities	$37,415	$19,543

H. STOCK OPTION PLANS

The Corporation has two stock option plans for key employees. No new options will be awarded under the Qualified Stock Option Plan adopted by the Corporation in 1967. Under the 1972 Employee Stock Option Plan as amended, certain eligible employees have been granted qualified stock options, and non-qualified stock options at 100% of market at date of grant. The options are exercisable in cumulative annual installments of 25% of the optioned shares after the first year with the qualified options expiring in five years and the non-qualified options expiring in ten years The

1972 Plan also provides for granting stock appreciation rights to option holders, permitting them to surrender exercisable options in exchange for shares of the Corporation's stock having an aggregate market value, at the date of surrender, equal to the difference between the option price and market value of shares covered by the surrendered options. Compensation expense is accrued in anticipation of settlement of these rights over the period they become exercisable. At January 31, 1976, outstanding options for 294,591 shares had stock appreciation rights attached and $2.5 million was charged against 1975 operations. There was no expense incurred in 1974. Under the 1972 Stock Option Plan, 400,000 shares were originally reserved for issuance. Shares available for grant at January 31, 1976 and February 1, 1975, were 95,353 and 199,560, respectively.

Shares under option were as follows:

	1975		1974	
	Number of Shares	Price Per Share	Number of Shares	Price Per Share
Outstanding — beginning of year	277,390	$ 7.94 to $37.188	167,700	$11 25 to $39 00
Granted	114,975	$18.06 to $22 125	134,065	$ 7 94 to $10 44
Cancelled	47,204	$ 7.94 to $28 00	24,375	$ 7 94 to $39.00
Exercised	11,970	$ 7.94 to $11.25	—	— —
Outstanding — end of year	333,191	$ 7.94 to $37.188	277,390	$ 7 94 to $37.188
Number of Shares Exercisable	90,077	$ 7.94 to $37.188	82,963	$11.25 to $37 188

I. CREDIT SALES RESULTS

Credit sales were $665 1 and $623.3 million for 1975 and 1974, respectively. Regular charge account sales, including revolving charge accounts, were approximately 96% of total credit sales Revolving installment accounts make up the balance of credit sales.

The cost of retail credit operations presented in accordance with a practice generally followed by the retail industry is as follows:

(In millions)	1975	1974
Costs		
Administration	$17.6	$17.5
Interest	12.8	13 2
Provision for bad debts	9.4	9 0
Total Costs	$39.8	$39.7
Finance charge revenue	$23.3	$22.3
Cost of credit operation	$16.5	$17 4
Net cost of credit after income tax of $8 6 and $8 7	$ 7.9	$ 8.7
Net cost as a percent of credit sales	1.2%	1.4%

Administration costs include in-store costs related to credit activities as well as the direct cost of operating the credit offices.

Interest cost is computed by applying the average interest rate incurred on Retail operations (7.6% for 1975 and 8 0% for 1974) to the average total customer accounts receivable reduced by deferred income taxes resulting from retail revolving charge and installment account sales.

The income tax credit is computed at the Retail effective income tax rate.

The Corporation is unable to measure incremental sales attributable to the extension of credit.

J. COMMITMENTS AND CONTINGENCIES
(Thousands of Dollars)

Rental expense on long-term leases included in the results of operations, net of sublease income, is as follows:

	1975	1974
Financing leases:		
Minimum rentals	$ 3,770	$ 3,473
Contingent rentals	599	505
	$ 4,369	$ 3,978
Other leases:		
Minimum rentals	$12.053	$11 371
Contingent rentals	1,697	1,321
	$13,750	$12,692
Total Rentals	$18,119	$16,670

Sublease income of $1,068 (financing leases — $533; other leases — $535) for 1975 and $1,061 (financing leases — $522; other leases —$539) for 1974 has been deducted from total rentals in determining the above expense.

Financing leases have not been capitalized in the accompanying financial statements.

Contingent rentals are based upon a percentage of sales Most leases require additional payments for real estate taxes, insurance and other expenses which are included in occupancy costs in the accompanying results of operations.

Annual minimum rentals on long-term noncancelable leases of the Corporation and consolidated subsidiaries at January 31, 1976, net of rentals to be received from noncancelable subleases, is as follows:

		Financing Leases		Other Leases	
	Total	Real Property	Personal Property	Real Property	Personal Property
1976	$17,191	$ 2,870	$907	$12,575	$839
1977	17,068	2,972	907	12,789	400
1978	16,600	3,084	774	12,572	170
1979	15,720	3,099	552	12,065	4
1980	15,448	3,099	552	11,795	2
1981 - 1985	66,406	14,807	764	50,835	
1986 - 1990	38,973	12,711		26,262	
1991 - 1995	20,452	10,992		9,460	
After 1995	23,101	13,807		9,294	

The above minimum rentals reflect the Corporation's gross lease obligations reduced by sublease income from real property annually averaging $758 for 1976-1980 and aggregating $1,747 for 1981-1985; $447 for 1986-1990; $27 for 1991-1995, and none for years after 1995. Substantially all leases are for property used by the Retail companies.

The estimated present values and the related interest rates of net minimum rental commitments for financing leases at January 31, 1976, and February 1, 1975, are as follows:

Interest Rates				Present Value	
Weighted Average		Range		Jan 31,	Feb 1,
1975	1974	1975	1974	1976	1975
7 6%	7 6%	4%-10%	4%-10%	$36,273	$37,787

Substantially all financing leases are for real property.

If all financing leases had been capitalized, net income for 1975 and 1974 would have been reduced less than 1% for both years

Commitments for construction of new facilities and the purchase of real estate amounted to approximately $18 0 million at January 31, 1976.

See Note F for a discussion of the commitments related to the Corporation's joint ventures.

The Internal Revenue Service has recently completed an audit of the Corporation's 1970 and 1971 Federal income tax returns and has proposed additional taxes of $7 3 million plus interest thereon. The Corporation is currently contesting $5.9 million of the proposal. The most significant adjustment being contested relates to the Revenue Service's proposal to lengthen the depreciable lives of real property Resolution of any of the disputed issues unfavorably to the position of the Corporation would have a negative impact on its cash flow but, individually or in aggregate, would have no material impact on reported income

The nature and scope of the Corporation's business brings its properties, operations and representatives into regular contact with the general public and a variety of other business and governmental entities, all of which inherently subject the Corporation to hazards of litigation in the ordinary course of business Giving effect to the insurance in place with respect to a portion of that litigation, and noting that the ultimate consequences of any particular litigation may not be presently conclusively determinable, it is the opinion of the management of the Corporation and of its legal counsel that none of the current litigation involving the Corporation or any of its subsidiaries or divisions will have a material effect on the operations or financial condition of the Corporation.

K. ALTERNATIVE ACCOUNTING POLICY

The Real Estate line of business follows the practice of expensing interest incurred on construction in progress and all costs incurred on land held for future development (interest and real property taxes). Most comparable companies in the real estate industry follow a policy of capitalizing these costs. If Dayton Hudson followed this alternative accounting policy for its Real Estate line of business and joint ventures, approximately $2,725,000 in 1975 and $2,630,000 in 1974 of costs expensed would have been capitalized. This would have had the effect of increasing net earnings per share approximately $ 08 in 1975 and 1974.

Accountants' Report

Board of Directors and Shareholders
Dayton Hudson Corporation
Minneapolis, Minnesota

We have examined the statements of financial position of Dayton Hudson Corporation and subsidiaries and of their Retail and Real Estate Operations as of January 31, 1976, and February 1, 1975, and the related statements of results of operations, shareholders' investment and changes in financial position for the years then ended. We have also examined the Ten Year Comparisons and the Operating Results included in the Five Year Comparisons on pages 30-33. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Dayton Hudson Corporation and subsidiaries at January 31, 1976, and February 1, 1975, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. It is also our opinion that the financial statements referred to above of the Corporation's Retail and Real Estate Operations are presented fairly in conformity with the accounting practices described in the Summary of Accounting Policies set forth in the financial statements, applied on a consistent basis. Further, it is our opinion that the Ten Year Comparisons and the Operating Results presented in the Five Year Comparisons fairly present the information set forth therein.

Minneapolis, Minnesota
March 19, 1976

Ernst & Ernst

The Ten Year Comparisons should be read in conjunction with the Financial Review and Financial Statements.

[a]On a historical basis after giving retroactive effect to stock splits.

[b]Earnings data for 1972 include extraordinary expense of $.7 million ($.04 per share).

TOTAL REVENUES (Millions)
Cost of retail sales, buying and occupancy
Interest expense
EARNINGS BEFORE INCOME TAXES (Millions)[b]
INCOME TAXES — Federal, state and local (Millions)
NET EARNINGS (Millions)[b]
DEPRECIATION AND AMORTIZATION (Millions)
RETURN ON BEGINNING SHAREHOLDERS' EQUITY
PER COMMON SHARE
— Net earnings[b]
— Cash dividend[a]
— Book value
CAPITAL EXPENDITURES (Millions)
YEAR END FINANCIAL POSITION (Millions)
Working capital
Property and equipment, net of depreciation:
Retail
Real Estate
Total
Long-term debt:
Retail
Real Estate
Total
Shareholders' Equity
AVERAGE COMMON SHARES OUTSTANDING (Thousands)

1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
$1,692.5	1,504.5	1,407.5	1,297.4	1,120.8	971.3	890.2	813.4	728.4	666.3
$1,166.4	1,066.2	985.8	917.5	784.8	684.6	621.2	569.0	511.2	465.3
$ 18.3	23.5	20.7	18.5	18.0	17.5	12.2	6.4	5.7	5.6
$ 107.0	50.1	53.3	53 9	45.7	37.6	48.1	51.0	46.6	44.6
$ 55.7	24.9	26.0	26.4	21 0	18 6	24.4	26.4	22.0	20 7
$ 51.3	25.2	27.3	27.5	24.7	19.0	23.7	24.6	24.6	23.9
$ 29.9	27.6	25.3	24.4	22.6	19.7	16.2	14.0	13.0	12.3
14.4%	7.4	8.4	9 2	8.6	7.0	9.3	10.3	11.6	12.4
$ 3.22	1.57	1.70	1.70	1.52	1.16	1.49	1.54	1.58	1.58
$ .66	.58½	.54	.52	.50	.50	.50	.40	.16	.07
$ 24.62	22.09	21.10	19.88	18.70	17.69	16.84	15.94	14.86	13.47
$ 39.8	58.1	55.8	36.9	33.3	56.8	92.8	52.9	32 5	29 3
$ 229.7	219.1	229.5	226 3	175.7	159.2	148.8	135.0	134.8	126.7
$ 276.2	271.3	259.0	248.5	243.8	234.7	206 7	159 5	123.6	109 4
$ 131.2	127.6	119.2	112.6	110.7	113.4	105.8	79.2	78.5	79.9
$ 407.4	398.9	378 2	361.1	354 5	348 1	312.5	238 7	202.1	189.3
$ 123.8	147.2	164.0	176.4	153.0	146 5	124 4	80.4	51.0	52.8
$ 117.4	116.6	104.8	82.6	74.2	76.1	69.3	38.4	47.3	51.5
$ 241.2	263.8	268.8	259.0	227.2	222.6	193.7	118.8	98 3	104 3
$ 396.4	356.1	340.5	324.7	305.8	289.6	269 7	255.8	237.7	211.5
15,850	15,850	15,890	16,017	16,017	16,020	15,814	15,850	15,262	14,582

RETAIL

	1975 Dollar Amount	1975 Percent of Total	1974 Dollar Amount	1974 Percent of Total	1973 Dollar Amount	1973 Percent of Total
OPERATING RESULTS (Millions)						
Revenues						
Department Stores	$ 888.7	53.7%	$ 823.3	55.9%	$ 793.5	57.9%
Low-Margin Stores	616.2	37.3	524.6	35.6	470.3	34.4
Specialty Stores	149.3	9.0	124.3	8.5	105.7	7.7
Total	$1,654.2	100.0%	$1,472.2	100.0%	$1,369.5	100.0%
Earnings Contribution (Before expenses listed below)						
Department Stores	$ 82.2	62.9%	$ 51.5	72.0%	$ 55.0	77.5%
Low-Margin Stores	38.6	29.6	17.2	24.1	13.0	18.3
Specialty Stores	9.8	7.5	2.8	3.9	3.0	4.2
Total	$ 130.6	100.0%	$ 71.5	100.0%	$ 71.0	100.0%
Corporate Expense	14.6		6.1		7.4	
Interest Expense	8.8		14.3		13.4	
Earnings Before Income Taxes	$ 107.2		$ 51.1		$ 50.2	
Income Taxes	55.8		25.6		25.0	
Net Earnings	$ 51.4		$ 25.5		$ 25.2	
OTHER INFORMATION						
Number of Stores						
Department Stores	39		37		34	
Low-Margin Stores	52		50		50	
Specialty Stores	273		231		179	
Total Square Feet (Thousands)						
Department Stores	10,147		9,964		9,437	
Low-Margin Stores	5,893		5,570		5,563	
Specialty Stores	1,115		1,036		802	
Sales Per Square Foot[b]						
Department Stores	$ 88		$ 85		$ 85	
Low-Margin Stores	108		94		85	
Specialty Stores	139		135		148	
Capital Expenditures (Millions)						
Department Stores	$ 19.3		$ 27.2		$ 24.8	
Low-Margin Stores	6.2		4.9		4.5	
Specialty Stores	4.7		4.5		4.0	
Total	$ 30.2		$ 36.6		$ 33.3	
Start-Up Costs (Expensed as Incurred) (Millions)[c]						
Department Stores	$ 2.8		$ 6 1		$ 4.8	
Low-Margin Stores	1.3		.7		.9	
Specialty Stores	1.0		1.1		1.0	
Total	$ 5.1		$ 7.9		$ 6.7	

[a] Earnings data for 1972 include extraordinary expense of $.7 million
[b] Calculated using average square footage
[c] Deducted in determining earnings contributions

1972(a) Dollar Amount	1972(a) Percent of Total	1971 Dollar Amount	1971 Percent of Total
$ 732.9	58.0%	$ 674.2	61.9%
440.4	34.9	345.8	31.8
89.5	7.1	68.3	6.3
$1,262.8	100.0%	$1,088.3	100.0%
$ 50.1	72.2%	$ 38.4	64.5%
16.6	23.9	18.9	31.8
2.7	3.9	2.2	3.7
$ 69.4	100.0%	$ 59.5	100.0%
6.5		4.6	
13.2		12.6	
$ 49.7		$ 42.3	
24.4		19.7	
$ 25.3		$ 22.6	
31		30	
50		34	
130		95	
9,181		9,294	
5,518		4,220	
627		516	
$ 79		$ 75	
90		89	
156		144	
$ 9.6		$ 10.4	
14.9		14.5	
2.5		2.0	
$ 27.0		$ 26.9	
$ 2.3		$ 2 8	
4.0		2.7	
.5		.3	
$ 6.8		$ 5.8	

REAL ESTATE

	1975	1974	1973	1972	1971
OPERATING RESULTS (Millions)					
Operating Properties					
Rental revenues	$ 36.3	$ 28.2	$ 26.5	$ 24.3	$ 22.8
Operating income (earnings before depreciation, interest and income taxes)	20.2	14.3	15.0	13.2	10.7
Depreciation and amortization	6.1	4.9	4.5	4.7	4.8
Interest expense	8.8	7.1	5.9	4.7	4.8
Earnings before income taxes	$ 5.3	$ 2.3	$ 4.6	$ 3.8	$ 1.1
Tenant leasable square feet	4.2	4.1	3.6	3.3	3.5
Landholding					
Landholding revenues	$ 2.0	$ 4.1	$ 11.4	$ 10.3	$ 9.6
Interest expense	.4	.5	.5	.3	.5
Other landholding costs	2.4	2.8	9.4	6.9	5.9
Earnings (loss) before income taxes	$ (.8)	$ .8	$ 1.5	$ 3 1	$ 3 2
Undeveloped land at year end (Thousands of acres)	2.5	2.7	3.0	2.6	2.3
Development Expense					
Development expense, excluding interest	$ 2.0	$ 1.4	$ 2.2	$ 1.8	$ .8
Interest expense	.3	1.6	.8	.2	1
Total development expense	$ 2.3	$ 3.0	$ 3.0	$ 2.0	$ .9
Total Real Estate					
Revenues	$ 38.3	$ 32.3	$ 37.9	$ 34 6	$ 32.4
Interest expense	9.5	9.2	7.2	5.2	5.4
Other costs and expenses	26.6	23.0	27.6	24.5	23.6
Equity in loss of joint ventures	2.4	1.1	—	—	—
Earnings (loss) before income taxes	$ (.2)	$ (1.0)	$ 3.1	$ 4.9	$ 3.4
Income taxes	(.1)	(.6)	1.0	2.0	1.4
Net earnings (loss)	$ (.1)	$ (.4)	$ 2 1	$ 2 9	$ 2.0
Funds provided by operations	$ 8.7	$ 5.2	$ 8 2	$ 8 1	$ 8.4
Capital expenditures	$ 9.6	$ 21.5	$ 22.5	$ 9 9	$ 6 3

Corporate Citizenship

Dayton Hudson Corporation and our operating companies have a commitment to corporate social responsibility that is expressed in four different ways:

1. *Utilizing 5% of our Federal taxable income* to improve the quality of life in those communities in which the Corporation and our 11 operating companies are located. For 1975, donations by the Corporation and the Dayton Hudson Foundation totaled $1,837,495. Contributions are made chiefly to organizations with proven capability in solving social problems, and to the arts.
2. *Contribution of executive time and talent* through encouraging employees to be leaders in community service and through making executive resources available to non-profit organizations and local governments.
3. *Socially responsible business conduct* of the highest level is expected of all Dayton Hudson operating companies. Our operating companies have formal programs in equal employment and advancement opportunity, consumerism, energy conservation, environmental impact and community development.
4. *Open and clear disclosure* of the facts about our business. Dayton Hudson's 1974 Annual Report to Shareholders received the *Financial World* award as the Best Annual Report of All Industry. We were recognized by *Business and Society Review* as one of 13 firms that have distinguished themselves in the area of corporate social responsibility, winning a specific award for disclosure of information on how we distribute our charitable contributions.

Through all of these practices, we have aimed at setting leadership standards for corporate citizenship. Dayton Hudson is one of very few corporations in the nation that pursue the practice of contributing 5% of taxable earnings as a matter of policy. The Social Responsibility Committee of our Board of Directors approves the Corporation's total social responsibility program annually and monitors performance throughout the year.

We feel that business has a vital role to play in the social well-being of our way of life, and we are committed to encouraging other businesses to view the contribution of money, time, and leadership to community needs as a very real responsibility of business.

A copy of the report on corporate contributions for 1975 is available by writing the Director of Corporate Communications, Dayton Hudson Corporation, 777 Nicollet Mall, Minneapolis, Minnesota 55402.

Dayton Hudson Corporation

At the close of 1975, Dayton Hudson Corporation was operating 364 stores in 38 states, and nine regional shopping centers in Michigan and Minnesota.

Department Stores

Hudson's Dayton's Diamond's
Lipmans John A. Brown

Low-Margin Stores

Target Lechmere

Specialty Stores

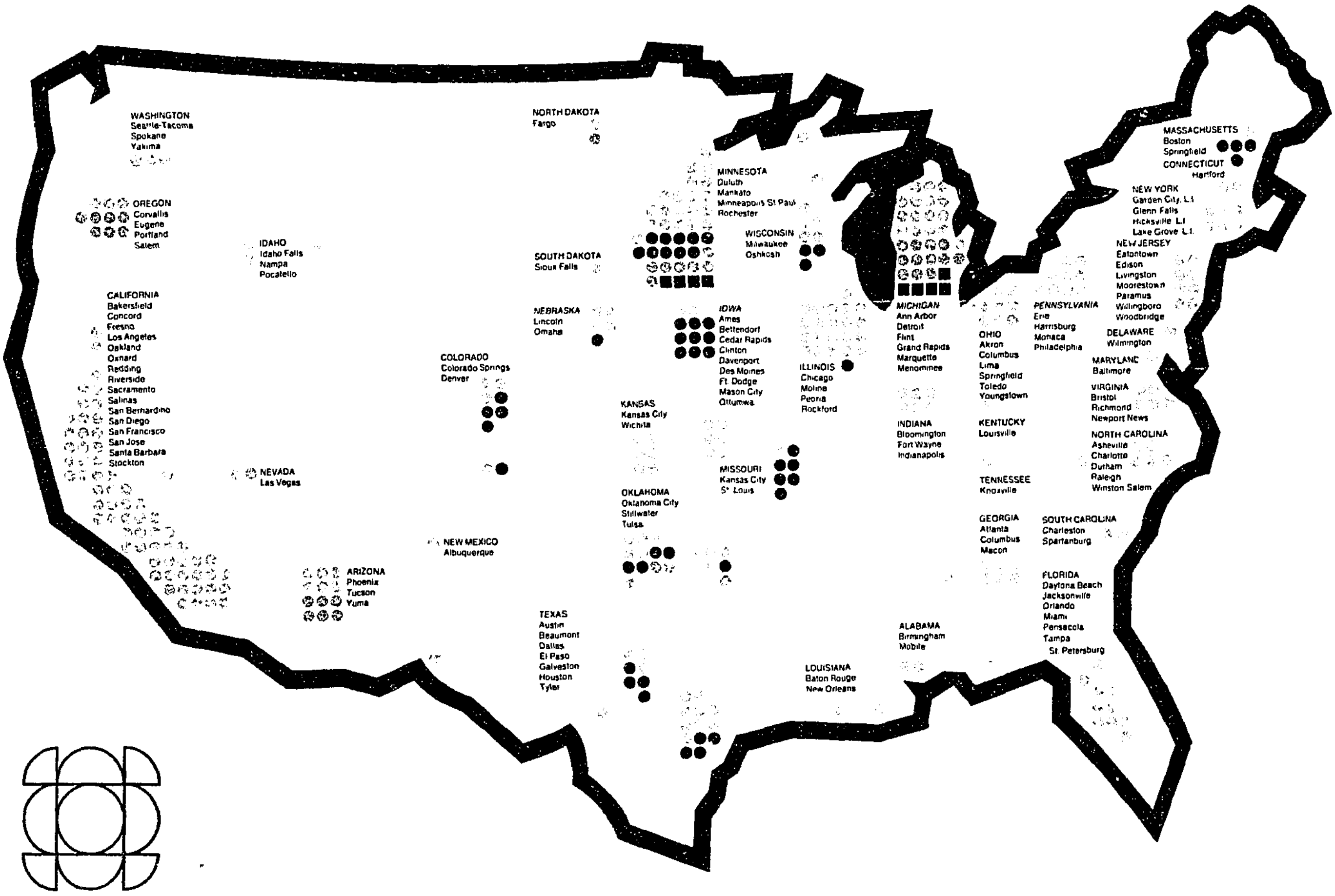
B. Dalton, Bookseller
Dayton Hudson Jewelers
Team Central

Real Estate

Dayton Hudson Properties

DEPARTMENT STORES	Total Sq. Ft. (000)	Date Opened
Hudson's *(1881)**		
Joseph L. Hudson, Jr., Chairman		
Edwin G. Roberts, President		
Downtown Detroit, Mich.	1,883	1891
Northland Center, Southfield, Mich.	619	1954
Eastland Center, Harper Woods, Mich.	487	1957
Warehouse Store, Dearborn, Mich.	61	1959
Pontiac Mall, Pontiac, Mich.	283	1962
Budget Store, Dearborn, Mich.	86	1963
Westland Center, Westland, Mich.	356	1965
Oakland Mall Center, Troy, Mich.	380	1968
Genesee Valley Center, Flint, Mich.	268	1970
Southland Center, Taylor, Mich.	292	1970
Franklin Park Mall, Toledo, Ohio	187	1971
Briarwood Shopping Center, Ann Arbor, Mich.	187	1974
Woodland Mall, Grand Rapids, Mich.	122	1975
	5,211	
Dayton's *(1902)**		
Carl R. Erickson, President		
Downtown Minneapolis, Minn.	1,385	1902
Southdale Center, Edina, Minn.	349	1956
Downtown St. Paul, Minn.	383	1963
Brookdale Center, Brooklyn Center, Minn.	241	1966
Rosedale Center, Roseville, Minn.	193	1969

*Year founded.



Apache Mall, Rochester, Minn.	155	1972
West Acres Center, Fargo, N.D.	115	1973
Ridgedale Center, Minnetonka, Minn.	231	1974
	3,052	

Diamond's *(1891)**

Glenn E. Johnson, President

Park Central Center, Phoenix, Ariz.	165	1957
Thomas Mall Center, Phoenix, Ariz.	190	1963
Tri-City Mall, Mesa, Ariz.	138	1969
Las Vegas, Nev.	41	1970
MetroCenter, Phoenix, Ariz.	180	1973
Fashion Square, Scottsdale, Ariz.	50	1974
Park Mall, Tucson, Ariz.	98	1974
	862	

Lipmans *(1850)**

Robert W Chizum, President

Downtown Portland, Ore.	254	1912
Salem, Ore.	75	1954
Eastport Plaza, Portland, Ore.	85	1960
Corvallis, Ore.	42	1964
Lloyd Center, Portland, Ore.	50	1972
Washington Square, Portland, Ore.	113	1973
Valley River Center, Eugene, Ore.	50	1975
	669	

John A. Brown *(1915)**

James W. Sherburne, President

Norman, Okla.	4	1949
Penn Square, Oklahoma City, Okla.	127	1960
Utica Square, Tulsa, Okla.	72	1971
Crossroads Mall, Oklahoma City, Okla.	150	1974
	353	

LOW-MARGIN STORES

Target *(1961)**

Stephen L. Pistner, President

Roseville, Minn.	68	1962
Crystal, Minn.	105	1962
Duluth, Minn.	100	1962
Knollwood, St. Louis Park, Minn.	122	1962
Bloomington, Minn.	118	1965
Glendale Center, Denver, Colo.	122	1966
Westland Center, Sunset Park, Colo.	122	1966
West St. Paul, Minn.	119	1967
Fridley, Minn.	119	1967
North County, St. Louis, Mo.	119	1968
South County, St. Louis, Mo.	121	1968
Bridgeton, Mo.	118	1969
North Dallas, Tex.	131	1969
Garland, Tex.	131	1969
Colorado Springs, Colo.	131	1969
Hedwig Village, Houston, Tex.	131	1969
South Loop, Houston, Tex.	131	1969
Sharpstown, Houston, Tex.	131	1970
Tulsa, Okla.	127	1970
Almeda, Houston, Tex.	126	1970
University City, Mo.	126	1970
Village Fair Center, Dallas, Tex.	134	1970
Greenfield, Wis.	127	1970
Wauwatosa, Wis.	129	1970
North St. Paul, Minn.	111	1971
Ballwin, Mo.	111	1971
Arlington, Tex.	111	1971
North Des Moines, Iowa	128	1971
South Des Moines, Iowa	90	1971
Mason City, Iowa	50	1972
Ames, Iowa	45	1972
Cedar Rapids, Iowa	80	1972
Fort Dodge, Iowa	61	1972
Ottumwa, Iowa	50	1972
Omaha, Neb.	120	1972
Clinton, Iowa	60	1972
Thornton, Colo.	110	1972
South Denver, Colo.	110	1972
Oklahoma City (North), Okla.	115	1972
Oklahoma City (South), Okla.	115	1972
Midwest City, Okla.	86	1972
Norman, Okla.	91	1972
Bettendorf, Iowa	80	1972
Moline, Ill.	80	1972
Coon Rapids, Minn	88	1972
Edina, Minn	111	1973
Hampton Village, St. Louis, Mo	100	1975
West Allis, Wis.	109	1975
	5,120	

Lechmere *(1911)**

Norman D. Cohen, Chairman

David Banker, President

Cambridge, Mass.	233	1956
Dedham, Mass.	194	1965
Liberty Tree Mall, Danvers, Mass.	197	1970
Springfield, Mass.	149	1971
	773	

SPECIALTY STORES

Dayton Hudson Jewelers

Joseph J. Freedman, President

J. E. Caldwell *(1839)**

Downtown Philadelphia, Pa.	33	1916
Wilmington, Del.	2	1953
Haverford, Pa.	6	1954
Moorestown, N.J.	4	1965
Plymouth Meeting, Pa.	4	1966
Harrisburg, Pa.	5	1970
	54	

	Total Sq. Ft. (000)	Date Opened
J. B. Hudson *(1885)**		
Downtown Minneapolis, Minn.	10	1929
Southdale Center, Edina, Minn.	5	1956
Downtown St. Paul, Minn.	4	1963
Brookdale Center, Brooklyn Center, Minn.	3	1966
Rosedale Center, Roseville, Minn.	3	1969
Omaha, Neb.	5	1970
Rochester, Minn.	2	1974
Ridgedale Center, Minnetonka, Minn.	3	1974
	35	
J. Jessop & Sons *(1860)**		
Downtown San Diego, Calif.	12	1893
La Jolla, Calif.	4	1949
Chula Vista, Calif.	4	1956
Mission Valley Center, San Diego, Calif.	4	1961
La Mesa, Calif.	4	1961
Escondido, Calif.	4	1964
College Grove Center, San Diego, Calif.	5	1968
	37	
C. D. Peacock *(1837)**		
Downtown Chicago, Ill.	23	1927
Glencoe, Ill.	4	1955
Skokie, Ill.	5	1957
Oakbrook, Ill.	8	1962
Calumet City, Ill.	9	1967
Schaumburg, Ill.	5	1971
Vernon Hills, Ill.	4	1973
Aurora, Ill.	2	1975
	60	
Shreve's *(1852)**		
Downtown San Francisco, Calif.	20	1906
Palo Alto, Calif.	4	1968
San Mateo, Calif.	5	1969
San Jose, Calif.	4	1971
Walnut Creek, Calif.	3	1971
Concord, Calif.	1	1975
	37	
Charles W. Warren *(1902)**		
Somerset Mall, Troy, Mich.	6	1969
Northland Center, Southfield, Mich.	3	1969
Eastland Center, Harper Woods, Mich.	2	1974
Briarwood Center, Ann Arbor, Mich.	3	1975
Westland Center, Westland, Mich.	2	1975
	16	

B. Dalton, Bookseller Floyd Hall, President	Number of Stores	Total Sq. Ft. (000)
B. Dalton *(1966)**		
Alabama	2	
Arizona	6	
California	22	
Colorado	3	
Connecticut	2	
Florida	11	
Georgia	7	
Idaho	3	
Illinois	9	
Indiana	6	
Iowa	2	
Kansas	4	
Kentucky	1	
Louisiana	2	
Maryland	1	
Massachusetts	1	
Michigan	9	
Minnesota	11	
Missouri	5	
Nebraska	1	
Nevada	1	
New Jersey	7	
New Mexico	1	
New York	6	
North Carolina	6	
North Dakota	1	
Ohio	8	
Oklahoma	4	
Oregon	3	
Pennsylvania	5	
South Carolina	2	
South Dakota	1	
Tennessee	1	
Texas	14	
Virginia	5	
Washington	3	
Wisconsin	3	
	179	
Pickwick Bookshops *(1938)**		
California	30	
	209	812
Team Central *(1946)**		
Paul D. Hagstrum, President		
Colorado	1	
Illinois	4	
Kansas	2	
Michigan	3	
Minnesota	2	
Missouri	2	
Nebraska	2	
Oklahoma	5	
Wisconsin	3	
Total company owned stores	24	64
(Franchised and partially owned)	81	
Total Retail		17,155

REAL ESTATE **Dayton Hudson Properties** Robert J. Crabb, President	Leasable Sq. Ft. (000)	Date Opened
Shopping Centers		
Northland, Southfield, Mich.	1,580	1954
Southdale, Edina, Minn.	1,108	1956
Eastland, Harper Woods, Mich.	1,306	1957
Brookdale, Brooklyn Center, Minn.	875	1962
Westland, Westland, Mich.	855	1965
Rosedale, Roseville, Minn.	573	1969
Southland, Taylor, Mich.	526	1970
Genesee Valley, Flint, Mich.	836	1970
Ridgedale, Minnetonka, Minn.	1,000	1974
	8,659**	
Commercial, Office, Other		
Southdale Medical Building, Edina, Minn.	160	1958
Eastland Professional Building, Harper Woods, Mich.	47	1960
Nine Mile Medical Building, Southfield, Mich.	49	1967
Southdale Office Centre, Edina, Minn.	386	1968
Tower 14, Southfield, Mich.	222	1973
Other	74	
	938**	
Total Developed Real Estate	9,597**	

Undeveloped Land	Acres
Twin Cities	1,870
Detroit	506
Las Vegas	128
	2,504

**Gross leasable area including department store space owned by Dayton Hudson and other retailers. Excludes joint ventures (not managed by Dayton Hudson Properties).

Dayton Hudson Corporation

DIRECTORS

William A. Andres, President
Bruce B. Dayton, Chairman, Executive Committee of the Board
Donald C. Dayton, Retired Chairman of the Board
***Douglas J. Dayton**, Chairman, Dade, Inc. (development capital company)
K. N. Dayton, Chairman
Wallace C. Dayton, Conservationist
Joseph L. Hudson, Jr., Vice Chairman of the Board and Chairman of Hudson's
***Stephen F. Keating**, Chairman of the Board, Honeywell Inc. (automation equipment manufacturer)
†**Howard H. Kehrl**, Executive Vice President, General Motors Corporation (manufacturer of transportation equipment)
***David M. Lilly**, Chairman of the Board, The Toro Company (yard care equipment manufacturer)
Philip H. Nason, Chairman of the Board, The First National Bank of Saint Paul
***William H. Spoor**, Chairman of the Board, The Pillsbury Company (diversified food producer)
Paul N. Ylvisaker, Dean of the Graduate School of Education, Harvard University
Shirley Young, Executive Vice President, Grey Advertising, Inc. (advertising agency)

*Audit Committee
†Elected February 11, 1976

OFFICERS

K. N. Dayton, Chairman and Chief Executive Officer
William A. Andres, President and Chief Operating Officer
Bruce B. Dayton, Chairman of the Executive Committee
Joseph L. Hudson, Jr., Vice Chairman of the Board
Richard L. Schall, Executive Vice President
Robert J. Crabb, Senior Vice President
Carl R. Erickson, Senior Vice President
Stephen L. Pistner, Senior Vice President
Wayne E. Thompson, Senior Vice President - Environmental Development
Bruce G. Allbright, Vice President - Group Officer Specialty Stores and Lechmere
Gerald R. Dirks, Vice President - Investments and Financial Relations
Thomas E. Nave, Vice President - Controller
Allan L. Pennington, Vice President - Corporate Development
Albert B. Perlin, Vice President, General Counsel and Secretary
James M. Shipton, Vice President - Personnel
Willard C. Shull III, Vice President - Finance and Treasurer
J. R. A. Boline, Assistant Treasurer
Peter Corcoran, Assistant Treasurer
Karol D. Emmerich, Assistant Treasurer
William E. Harder, Assistant Secretary

TRANSFER AGENTS

Northwestern National Bank of Minneapolis
First National City Bank, New York City

REGISTRARS

First National Bank of Minneapolis
The Chase Manhattan Bank, N.A., New York City

10-K REPORT

A copy of the Form 10-K annual report filed with the Securities and Exchange Commission for Dayton Hudson Corporation's fiscal year ended January 31, 1976, is available at no charge to shareholders on request. Write to Manager, Shareholder Relations.

Dayton Hudson Corporation
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Minneapolis, Minnesota
55402